

City of North Miami

Comprehensive Annual Financial Report

FOCUS ON THE FUTURE

**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

CITY OF NORTH MIAMI, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

PREPARED BY:

FINANCE DEPARTMENT

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SPECIAL ACKNOWLEDGEMENT

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The City of North Miami

Mission Statement

The Mission of the City of North Miami

*is to enhance the quality of life,
environment, and safety for citizens,
businesses, customers, visitors and
employees in an atmosphere of
courtesy, integrity, quality and
fiscally responsible service.*



CITY OF NORTH MIAMI, FLORIDA

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City of North Miami

NEW BEGINNINGS



Johnson & Wales University unveiled both their master plan and opened a new student dormitory on August 24, 2005. The University has been working closely with the City on mapping out their future. Shown in photo (center, L-R) are: Councilman Scott Galvin, Mayor Kevin A. Burns, Dr. Donald MacGregor – President of Johnson and Wales University's North Miami Campus, and Loreen Chant, Vice President of Johnson and Wales University.

North Miami officials met with Olympic officials at Colorado Springs, CO in July 2005 to discuss the proposed Olympic Training Center project.



The North Miami Police Department honored Inez Couch and Michael McDearmaid in honor of the Central Homeowner's hosting a successful block party on "National Night Out Against Crime" in August. This was the first time homeowner groups organized to host such an event. Parties were also hosted in Alhambra Heights and the Enchanted Place.

North Miami's sanitation service became automated in January 2005, with the delivery of new sanitation carts to half of the city's households. The rest of the city received their new carts later that same year.





City of North Miami

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(305) 893-6511

June 30, 2006

To the Citizens, Honorable Mayor and
Members of the City Council of the
City of North Miami, Florida

The Comprehensive **Annual** Financial Report of the City of North Miami, Florida, for the fiscal year ended September 30, 2005 as required by Chapter 11.45 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 23 of the Charter of the City of North Miami is submitted for your review.

The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the **Governmental** Accounting Standards Board. This report consists of management's **representations** concerning the finances of the City of North Miami and is presented in a **format** designed to fairly set forth the financial position and the results of operations of the City on a government-wide and **fund** basis. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented. We believe the data in this report to be accurate in all material respects, and include all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. To provide a reasonable basis for making these representations, management of the City has established a comprehensive **internal** control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable **information** for the preparation of the City of North Miami's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2005 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards.

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, as amended, GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami’s MD&A can be found immediately following the report of the independent Certified Public Accountants.

PROFILE OF THE GOVERNMENT

The City of North Miami was incorporated on February 5, 1926 and is a political subdivision of the State of Florida. The City operates under a council-manager form of government and provides general government, public safety, public works, economic and community development, library, recreation and cultural event services to 60,312 residents. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities. The Council is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is the City’s Chief Executive Officer and is responsible for the daily operations of the City and for implementing policies adopted by the City Council. The City Manager is also charged with the hiring of department heads and with preparing the annual budget.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of North Miami as legally defined), as well as all of its component units. Component units are legally separate entities for which the City of North Miami is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City’s financial statements to be misleading or incomplete. The North Miami Community Redevelopment Agency created in June 2005, in accordance with Chapter 163.356, Florida Statutes is a blended component unit. However, the CRA conducted no financial transactions during the fiscal year ended September 30, 2005 and accordingly has no assets, liabilities, fund balance or financial activity to report. Disclosure is made only in the notes. The Museum of Contemporary Art, Inc. (MoCA) (a not-for-profit corporation) is reported as a discretely presented component unit. The North Miami Health Facilities Authority is also a component unit of the City, however, because there are no assets, liabilities or results of operations to report, disclosure is made only in the notes. Additional information on these legally separate entities can be found in Note 1 in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget to actual comparisons for the General Fund and for the Landfill Closure Fund, a major special revenue fund, are included as RSI (Required Supplementary Information) following the notes to the basic financial statements. All other budget to actual comparisons are presented as other supplementary information.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of North Miami operates. The City of North Miami is the fifth largest City in Miami-Dade County, the sixteenth largest in South Florida, and the thirty-third largest in the state. It is 9.5 square miles in area. North Miami's ideal location between Fort Lauderdale and Miami with easy access to major transportation corridors and area resources makes it a desirable place in which to live and work. With such accessibility and convenience, North Miami's major communities like Sunkist Grove, Central North Miami, Keystone Point and San Souci house more than 2,500 businesses and 60,312 residents. These residents are primarily younger families of multi-ethnic backgrounds that make North Miami, one of the youngest, most culturally diverse cities in South Florida. In 2005, the unemployment rate for City residents was 4.8% as compared to 6.6% in 2004. The City is home to an increasingly active, growing, and prosperous business community, from shopping centers to specialty stores, gourmet restaurants, artist studios, as well as the film, video and recording industries. Housing stock includes a mix of single-family homes, apartment buildings and condominiums.

Long-Term Financial Planning

The City of North Miami's primary focus related to economic growth is the redevelopment of existing commercial property and the enhancement of residential values through neighborhood revitalization. The North Miami Community Redevelopment Agency (CRA) was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The North Miami Redevelopment area covers approximately 3,249 acres of the City and is slated to be the largest in the state of Florida, encompassing approximately 60% of the entire city. The mission is to redevelop areas and infrastructure within the designated CRA to create over 4,800 affordable housing units, foster new economic growth, provide better traffic flow, and in essence a better quality of life for all residents.

In December 2002, a Development Agreement was executed for the former Munisport site (Biscayne Landing). The agreement calls for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. This is a comprehensive development project for the City's last remaining large parcel of open space and an integral part of the Redevelopment plan. The lease and Development Agreement for "Biscayne Landing" provides several major advantages for the CRA. The Development Agreement puts into place elements not normally included in a start-up Community Redevelopment Agency and Plan. The lease agreement, executed in October 2004, provides annual lease income directly to the City, which together with additional rents from the sale of each housing unit will provide new revenue streams for the General Fund. The Biscayne Landing Development Agreement requires the Developer to build, or manage to be built, all of the City's required housing programs and at a minimum to cause one (1) affordable single-family or multi-family housing unit to be rehabilitated or created for every unit built at Biscayne Landing. The development program for Biscayne Landing anticipates building approximately 5,500 housing units over a 10-year period.

Design, marketing, and construction have begun for the first 373 units of housing. In addition, the developer of Biscayne Landing is providing management and funding for certain civic, open space and pedestrian projects such as public park areas, 5.4 miles of pedestrian/biking trails within and around "Biscayne Landing" itself, environmental and wetlands conservation restoration, and an Olympic Training Facility with a gym, auditorium, and other facilities with access and training for the public, and a new City library. The Biscayne Landing project represents a major mixed-used development opportunity for a multi-phase development program. On-site development plans include upscale condominiums, a town center including commercial and retail space, and a hotel, all to be phased in over the next 15 years. This development is expected to create a significant potential tax base for the City, and in turn help support redevelopment initiatives elsewhere in the City. Additional information regarding the former Munisport site can be found in Note 12 and Note 15 of the notes to the basic financial statements. Also during 2005, the City received from Miami-Dade County a grant of \$31 million for funding the environmental cleanup at a former dumpsite.

MAJOR INITIATIVES

North Miami continues to strengthen its commitment as the "City of Progress". During fiscal year 2005, the City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Council. The accomplishments included:

- In June 2005, the Biscayne Landing Project broke ground. This enormous development project will create a significant tax base for the City/CRA and provide the necessary funding for redevelopment initiatives elsewhere in the City. Plans include upscale condominiums, a town center, hotel, and park space.
- In April 2005, a groundbreaking took place for the new Pepper Park Youth Center funded through grants from Miami-Dade County. Plans for the center include a full gymnasium, as well as a variety of activity rooms to house youth recreation programs throughout the year.

- The North Miami Police Department facilitated the organization of three neighborhood block party celebrations throughout the city on National Night Out Against Crime on August 2, 2005. This was the first time that neighbors joined together to host such an event.
- In 2005, North Miami experienced a 9% reduction of overall crime compared to the previous year.
- The North Miami Police Department was awarded a \$535,000 grant from the Department of Justice for the investigation of cold cases.
- The Teens In Action volunteers of the Parks and Recreation Department were honored by The Roundtable Associates, Inc., a national parks, recreation and conservation organization for "*Outstanding Park, Recreation and Conservation Community Partnership.*"
- The North Miami Public Library hosted Dr. Rudy Crew, Superintendent of Miami-Dade County Public Schools in February at the popular children's bedtime story program held weekly.
- Keep America Beautiful, Inc. honored the City of North Miami with the President's Circle Award at their 2005 annual conference. The city has been a KAB affiliate for over 15 years and continues to host successful community cleanup and beautification programs that are funded through the grant program.
- The Florida Water and Pollution Control Operator's Association awarded North Miami's Winson Water Plant, "Utility of the Year" for the year 2005.
- The Winson Water Plant was voted first runner-up by the American Waterworks Association for having the best tasting water in the County
- The City phased in automated sanitation service beginning in January 2005. Each household received a 96-gallon garbage cart. The automated service provides for more efficient service and a cleaner, uniform look on service days throughout our city's neighborhoods.
- The E. May Avil Public Library was selected as a Library of Distinction by the Berkshire Publishing Group to be included in the book *'Heart of The Community: The Libraries We Love'* due to come out in October 2006.
- The City received the 2005 Libraries for the Future / MetLife Foundation "Get Real Get Fit!" grant. A photo of an E. May Avil Public Library event funded by the grant is featured on their national website.
- The City received a 2005 State Library of Florida "Summer Library Reading Partnership Pilot Grant."
- The City was awarded a 2005/ 2006 Library Services and Technology Grant from the State Of Florida for a Teen Poetry Program.
- South Florida Parenting gave MOCA the Kids Crown Award for children's art programs
- Florida International Magazine selected Bonnie Clearwater, MoCA Director as one of the top 100 power brokers in Florida
- Received for the sixteenth consecutive year, a Certificate of Achievement for Excellence in Financial Reporting.

Fiscal year 2005 was a year of significant accomplishments. The City is at the beginning of a period of unparalleled economic growth and expansion as envisioned by the Biscayne Landing project. With growth comes increased demand for essential City services and the challenge of matching new revenue sources with expanding capital needs while maintaining the quality of life amenities and service delivery levels our citizens have come to enjoy and expect. The City of North Miami is committed to providing the human and financial resources that are required to meet the challenges of the future and is well prepared to address the challenges ahead.

CASH MANAGEMENT

In order to maximize interest earnings, the City maintains a pooled cash account for all funds excluding the Pension Trust Funds. The City's cash management program involves a mix of maintaining principal and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment return through the solicitation of competitive rates from various investment sources. In 2001, the City formally adopted its written investment policy pursuant to Section 218.415, Florida Statutes. The City's investments include Certificates of Deposit (CD's) with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act", a collateralized Interest on Public Funds Checking Account, investments with the State Board of Administration (SBA) Investment Pool and obligations of the U.S. Treasury consisting primarily of government agency securities. The average interest rate earned on investments for the fiscal year was 2.57%. The City's Defined Benefit Pension Plans and Defined Contribution Pension Plans manage their own funds, and are not included in the City's pooled cash system. The Pension Trust funds' investment portfolio also includes U.S. Government obligations, corporate stocks and bonds.

SELF-INSURANCE

The City's General Liability and Workers' Compensation insurance programs are self-insured and accounted for within the General Risk Management Internal Service Fund. This fund contains liability reserves, including Incurred But Not Reported (IBNR) and Allocated Loss Adjustment Expenses (ALAE) reserves, as required by the Governmental Accounting Standards Board's Statement No. 10. The various City departments are assessed a charge based upon requirements of the program. The Workers' Compensation self-insurance program is administered by an outside party. The City purchases commercial insurance coverage for law enforcement officers' and public officials' liability. Group health and dental coverage is provided through fully insured plans to help control costs. Additional information on the City's risk management activity can be found in Note 9 of the notes to the basic financial statements.

PENSION TRUST OPERATIONS

The City of North Miami has two Defined Benefit Pension Plans. The Clair T. Singerman (CTS Plan) Employees' Retirement System covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters. The North Miami Police Pension Plan (formerly known as the Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 -748 Plan) covers police officers hired after January 1, 1977. A separate Board of Trustees is responsible for the administration of each Plan. Two members of each Board are assigned as trustees as a

result of their City positions, one member is designated by the City Manager, and the remainder is elected by the Plan membership.

Annually, an independent actuary engaged by the pension boards calculates the amount of the annual pension contribution required by the City to ensure that the plans will be able to fully meet their respective obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

The City also participates in the Florida Retirement System (FRS) (Elected Officers' Class), a cost sharing multiple employer defined benefit pension Plan. This plan is administered by the State of Florida and provides retirement, disability, and death benefit to elected officials of the City of North Miami and their beneficiaries.

The City offers two defined contribution pension plans. The North Miami Police Officers' Retirement Pension Fund Share Plan covers all City police officers and is funded through state insurance premium tax monies. The City of North Miami Department Managers' Pension Plan covers the City's department managers and is funded through City contributions consisting of 10% of a participant's compensation. These plans are not reported as funds of the City, but are disclosed in the notes to the financial statements as defined contribution pension plans.

The City sponsors two deferred compensation plans, which qualify under Internal Revenue Code Section 457. The Plans are funded by employee contributions and administered by independent fiduciary agents. These plans do not meet the fiduciary criteria found in NCGA Statement No. 1 and, accordingly, in compliance with GASB Statement No. 32 are not reported in the City's net assets.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004. This was the sixteenth consecutive year that the City has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

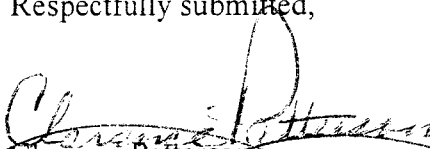
A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2005, Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would have not been accomplished without the efficient

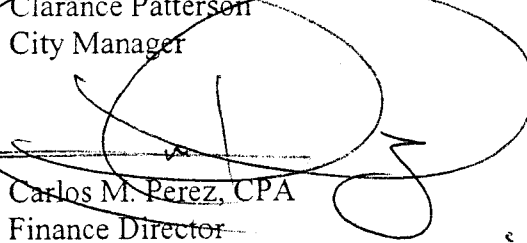
and dedicated services of the entire staff of the Finance Department. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to thank our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance in the preparation of this report.

Sincere appreciation is also expressed to the City Council for their leadership, and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Clarence Patterson
City Manager



Carlos M. Perez, CPA
Finance Director

CITY OF NORTH MIAMI, FLORIDA

LIST OF PRINCIPAL OFFICIALS

COUNCIL - MANAGER FORM OF GOVERNMENT

TITLE

NAME

Elected Officials

Mayor	Kevin A. Burns
Councilman	Michael R. Blynn
Councilman	Jacques A. Despinosse
Councilman	Scott Galvin
Councilwoman	Marie Erlande Steril
City Clerk	Frank Wolland

Appointed Officials

City Manager	Clarence Patterson
City Attorney	Lynn Whitfield

Department Directors

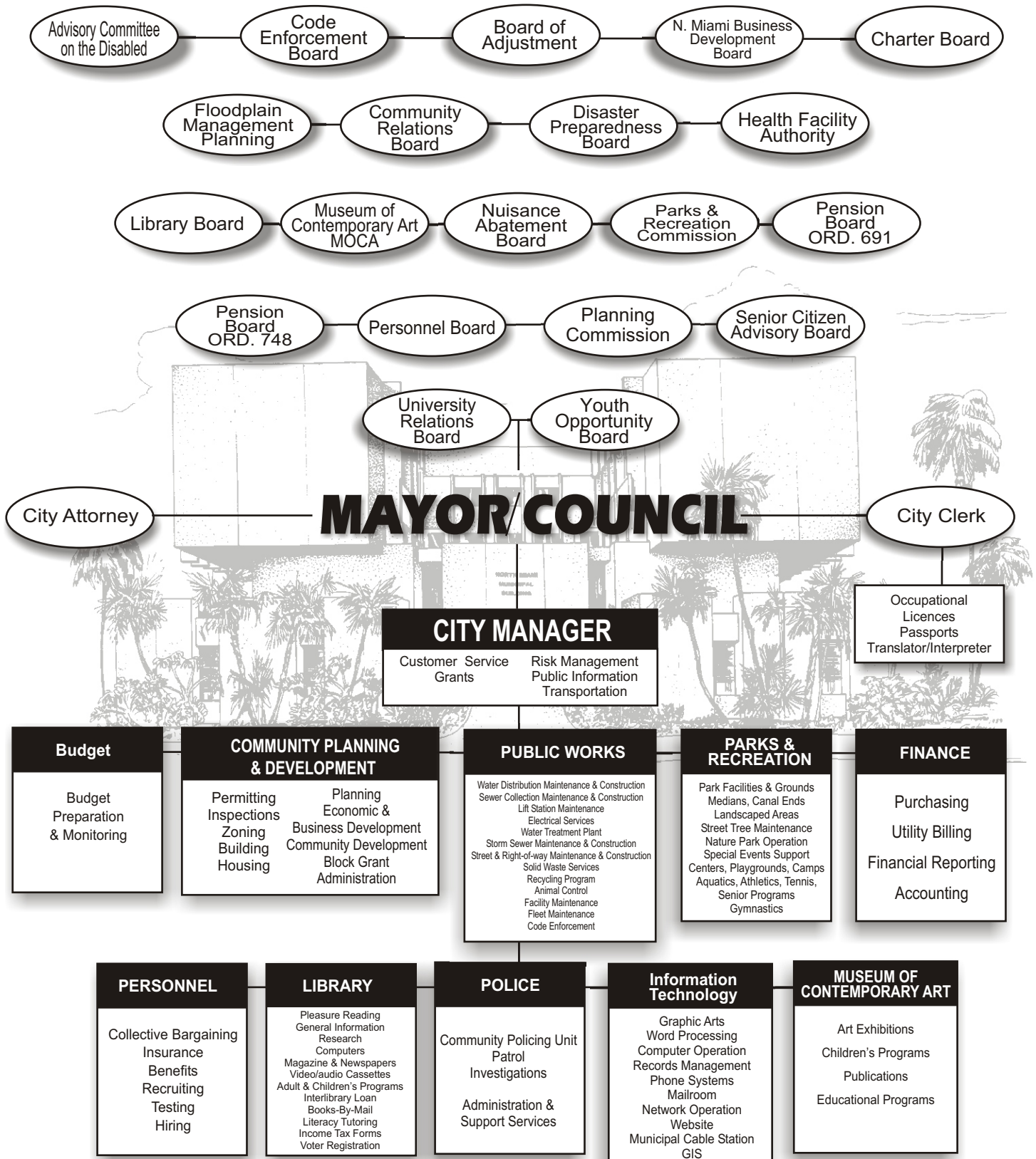
Police Chief	Gwendolyn Boyd
Community Planning & Development Director	Maxine Calloway
Museum of Contemporary Art Director	Bonnie Clearwater
Public Works Director	Mark E. Collins
Personnel Administration Director	Rebecca Jones
Information Technology Director	Hortensia Machado
Finance Director	Carlos M. Perez
Library Director	Joyce Pernicone
Interim Parks & Recreation Director	Terry Lytle
Budget Director	Keith Kleiman

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS **Rachlin Cohen & Holtz LLP**



ORGANIZATIONAL STRUCTURE

FOR THE CITY OF NORTH MIAMI



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Miami,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Cary Brubaker
President
Jeffrey L. Esser
Executive Director



In June 2005, the Biscayne Landing Project broke ground with over 100 attendees, including developer Michael Swerdlow and Mayor Kevin A. Burns. The project will take an estimated 15 years to build out.

A Groundbreaking ceremony for the new Pepper Park Youth Center was held on April 18, 2005. The center is planned to include a full gymnasium, as well as a variety of activity rooms to house youth recreation programs throughout the year.



The Miami-Dade County School Board broke ground along with Former Mayor Joe Celestin and other city officials on the first new school in North Miami in over 50 years. (June 2004).

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2005, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

-1-



Rachlin Cohen & Holtz LLP

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An independent Member of Baker Tilly International

Honorable Mayor, City Council City Manager
City of North Miami, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-22 and pages 72-76, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and Chapter 10.550, and is not a required part of the basic financial statements. The combining fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
May 8, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

City of North Miami, Florida

Management's Discussion and Analysis

As management of the City of North Miami, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

This is the fourth year that the City has reported its financial statements in a government-wide format using the GASB Statement Number 34 ("GASB 34") reporting model. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable.

It is important to note at this point, that the City made a prior period adjustment that affected the government-wide financial statements, which is currently reflected in the comparative information presented. This adjustment was as follows:

- The beginning net assets balance for the governmental activities was restated for a prior period adjustment in the amount of \$8,485,395 relating to infrastructure assets acquired prior to 2002, but not reported in previous years. The City had elected to defer inclusion of these until now, pursuant to GASB 34. Refer to Note 7 – Capital Assets for additional information.

FINANCIAL HIGHLIGHTS

- The assets of the City of North Miami exceeded its liabilities at the close of the most recent fiscal year by \$81,283,686 (*net assets*), as compared with \$80,268,626 for the previous year (restated). Unrestricted net assets at year-end reflect a deficit balance of \$92,107 compared with a balance of \$31,042,593 for the previous year.
- At the end of the fiscal year, the City's \$92,107 deficit balance in unrestricted net assets included a deficit of \$2,644,531 for governmental activities, and net assets of \$2,552,424 for its business-type activities.
- The City's total net assets increased by \$1,015,060 (or 1.26%) during the current fiscal year. Included in the total net assets are governmental net assets that increased by \$885,822 (or 1.80 %), and the business-type net assets, which increased by \$129,238 (or 0.41%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,984,720, an increase of \$26,825,886 in comparison with the prior year. Approximately 29% (\$11.1 million) of this total amount is available for spending at the City's discretion (*unreserved fund balance*). However, only 56% (\$6.2 million) of this amount is available in the City's General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,213,651 or 16% of total General Fund expenditures. At the end of the previous fiscal year, this balance was \$5,870,488 or 16% of total General Fund expenditures.
- The City's total long-term bonded debt decreased by \$1,625,529 (6.7%) during the current fiscal year. Although the City entered into several lease-purchase agreements for the acquisition of equipment, whose balance at year end is \$1,816,921, this long-term liability is not deemed bonded debt.

City of North Miami, Florida

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, highways and streets, public safety, culture and recreation, community planning and development, physical environment, and economic environment. The business-type activities of the City include a Water and Sewer Utility, a Stormwater Utility, and Solid Waste Services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate museum for which the City of North Miami is financially accountable. Financial information for the museum is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

City of North Miami, Florida

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and the Landfill Closure Fund which are both considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 77-85 of this report.

The City adopts annual appropriated budgets for its General Fund and the Landfill Closure Fund, its major governmental funds. Budgetary comparison schedules have been provided as Required Supplementary Information for the General Fund and the Landfill Closure Fund to demonstrate compliance with the budget (pages 72-74).

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer, Stormwater, and Solid Waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its self-insurance activities. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Stormwater, and Solid Waste operations. All three of these funds are considered major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 86-89 of this report.

The basic proprietary fund financial statements can be found on pages 29-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 36-71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 76 of this report.

The Management's Discussion and Analysis continues on the next page.

City of North Miami, Florida

Management's Discussion and Analysis

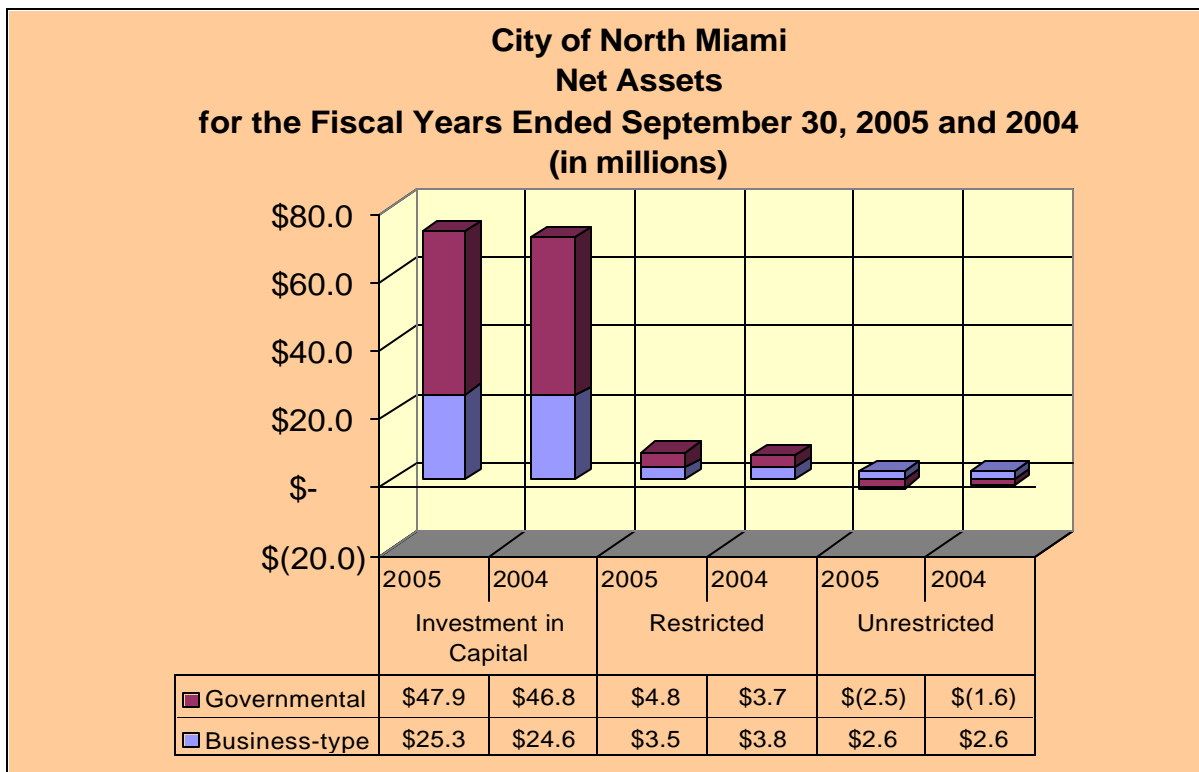
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of North Miami, assets exceeded liabilities by \$81,283,686 at the close of the most recent fiscal year, compared to restated net assets of \$80,268,626 in the prior year.

City of North Miami's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		Total Percentage Change
	2005	<u>Restated</u> 2004	2005	2004	2005	<u>Restated</u> 2004	
Current and other assets	\$54,942,409	\$59,155,783	\$14,525,581	\$13,897,000	\$69,467,990	\$73,052,783	-5%
Capital assets	51,187,682	51,409,870	30,606,629	29,774,295	81,794,311	81,184,165	1%
Total assets	106,130,091	110,565,653	45,132,210	43,671,295	151,262,301	154,236,948	-2%
Long-term liabilities	51,427,486	57,553,565	8,756,645	7,008,780	60,184,131	64,562,345	-7%
Other liabilities	4,735,493	3,930,798	5,058,991	5,475,179	9,794,484	9,405,977	4%
Total liabilities	56,162,979	61,484,363	13,815,636	12,483,959	69,978,615	73,968,322	-5%
Net assets:							
Invested in capital assets, net of related debt	47,854,721	46,816,683	25,313,980	24,745,687	73,168,701	71,562,370	2%
Restricted	4,756,922	3,848,155	3,450,170	3,815,508	8,207,092	7,663,663	7%
Unrestricted	(2,644,531)	(1,583,548)	2,552,424	2,626,141	(92,107)	1,042,593	109%
Total net assets	\$49,967,112	\$ 49,081,290	\$ 31,316,574	\$31,187,336	\$ 81,283,686	\$ 80,268,626	1%



City of North Miami, Florida

Management's Discussion and Analysis

By far the largest portion of the City of North Miami's net assets, \$73 million (90%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment in capital assets reflects a 2% increase over the prior year's restated balance of \$71.5 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It should also be noted, at September 30, 2004, the City's governmental infrastructures acquired prior to fiscal year 2002 were not reflected in the City's financial statements. As provided for under GASB 34, the City had elected to defer reporting these assets until this fiscal year.

An additional portion of the City's net assets, \$8,207,092 (10%), represents resources that are subject to external restrictions on how they may be used. This represents a \$543,429 increase from the previous year's balance of \$7,663,663. In the governmental activities, the \$908,767 increase is due primarily to the recognition of over \$2.1 million in intergovernmental revenues that is restricted for transportation purposes. Additional restrictions for other grants contributed to the increase. In the business-type activities, restricted net assets decreased by \$365,338, as assets restricted for capital were used for infrastructure improvements.

The remaining balance of unrestricted net assets, is a deficit of \$92,107 (< 1%), at the end of the fiscal year. This represents a decrease of \$1,134,700 million from the previous year's balance of \$1,042,593. In the business-type activities, the balance of \$2,552,424 reflects a decrease in unrestricted net assets of \$73,717. This is primarily due to the operational loss of \$1.9 million in one enterprise fund, which was offset by operational income in the other two. The unrestricted deficit of \$2,644,531 under governmental activities is primarily due to the liability for City employees' compensated absences, which will be funded over future years, and is not a reflection of the City's lack of resources to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for its business-type activities. However, for its governmental activities, all of the net assets are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, equipment, and so on). Consequently, unrestricted net assets showed a \$2,644,531 deficit at the end of the fiscal year for the governmental activities. This deficit does not mean that the City does not have resources to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Although the business-type activities reflect a balance of \$2,552,424 in unrestricted net assets, these resources cannot be used to make up the deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, solid waste and stormwater operations.

City of North Miami, Florida

Management's Discussion and Analysis

Changes in Net Assets

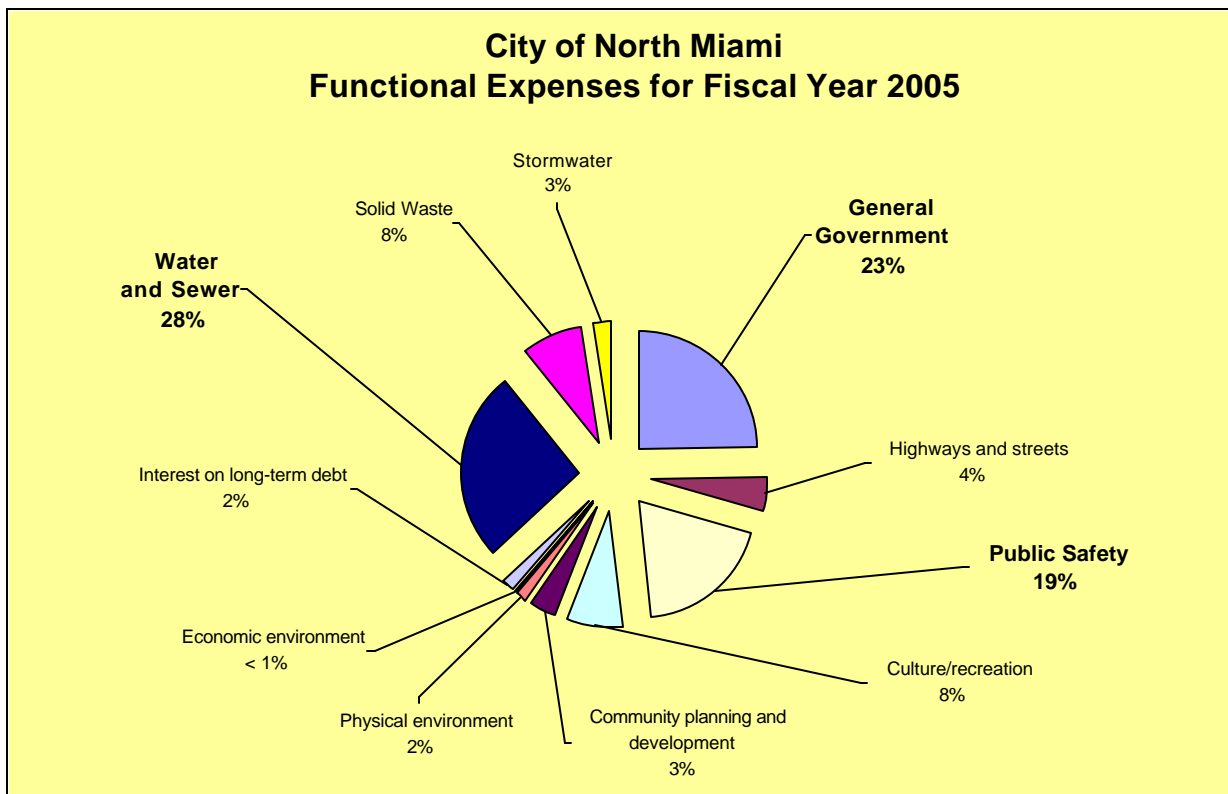
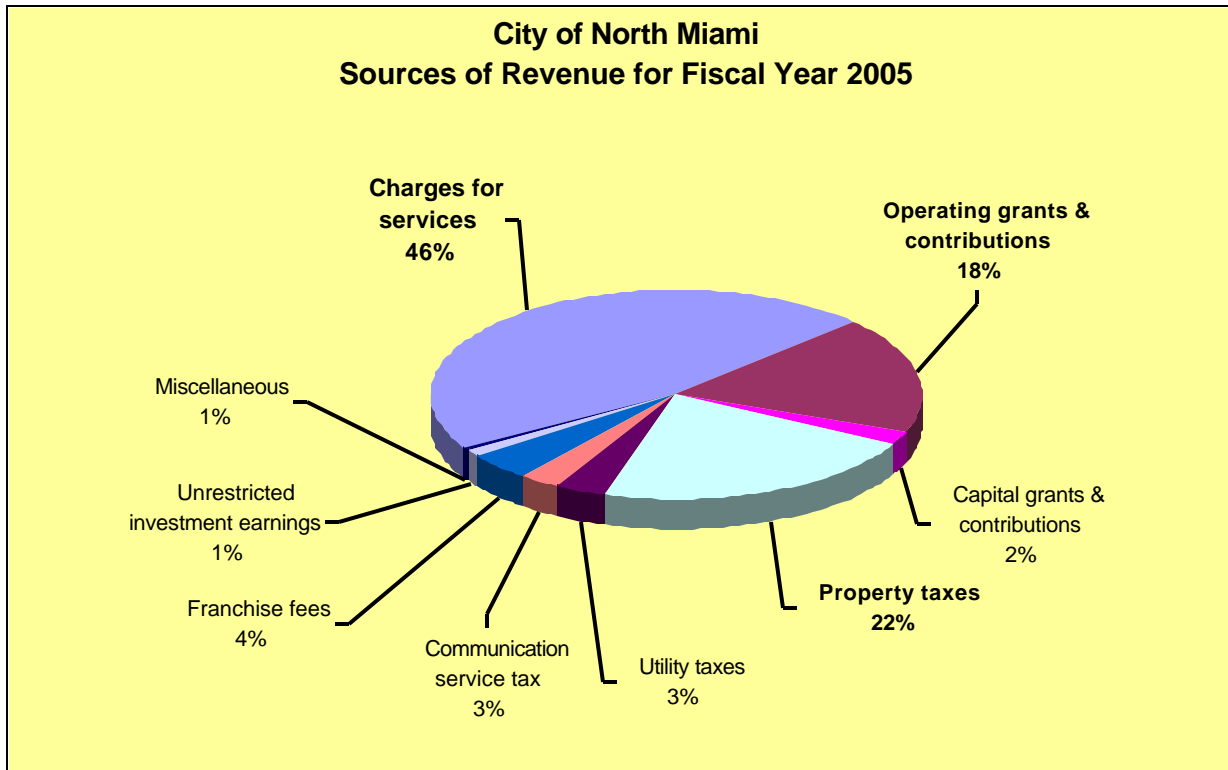
The following is a comparative analysis of the changes in net assets for the current and prior fiscal years.

City of North Miami's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		Total Percentage Change
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004	
Revenues:							
Program Revenues:							
Charges for services	\$8,679,465	\$8,292,794	\$24,632,929	\$24,094,280	\$33,312,394	\$32,387,074	3%
Operating grants and contributions	12,532,205	41,012,814	502,155	160,541	13,034,360	41,173,355	-68%
Capital grants and contributions	541,939	1,505,108	796,671	5,022,580	1,338,610	6,527,688	-79%
General Revenues:							
Property taxes	15,934,549	14,069,703	-	-	15,934,549	14,069,703	13%
Utility taxes	2,428,733	2,458,734	-	-	2,428,733	2,458,734	-1%
Communication services tax	1,953,438	1,729,145	-	-	1,953,438	1,729,145	13%
Franchise fees	3,140,507	2,841,720	-	-	3,140,507	2,841,720	11%
Unrestricted investment earnings	455,930	229,920	211,381	193,016	667,311	422,936	58%
Miscellaneous revenues	176,478	1,384,100	269,990	1,774,127	446,468	3,158,227	-86%
Total revenues	45,843,244	73,524,038	26,413,126	31,244,544	72,256,370	104,768,582	-31%
Expenses:							
General government	17,623,838	14,901,830	-	-	17,623,838	14,901,830	18%
Highways and streets	3,200,028	2,585,706	-	-	3,200,028	2,585,706	24%
Public safety	13,445,521	12,956,769	-	-	13,445,521	12,956,769	4%
Culture/recreation	5,587,756	5,683,795	-	-	5,587,756	5,683,795	-2%
Community planning and development	2,429,379	2,338,699	-	-	2,429,379	2,338,699	4%
Physical environment	1,342,690	1,046,250	-	-	1,342,690	1,046,250	28%
Economic environment	33,175	48,459	-	-	33,175	48,459	-32%
Interest on long-term debt	1,296,332	1,316,044	-	-	1,296,332	1,316,044	-1%
Water and sewer	-	-	18,586,779	18,412,385	18,586,779	18,412,385	1%
Solid waste	-	-	5,878,639	5,599,198	5,878,639	5,599,198	5%
Stormwater	-	-	1,817,173	2,161,989	1,817,173	2,161,989	-16%
Total expenses	44,958,719	40,877,552	26,282,591	26,173,572	71,241,310	67,051,124	6%
Increase (Decrease) in net assets before transfers	884,525	32,646,486	130,535	5,070,972	1,015,060	37,717,458	97%
Transfers	1,297	3,444	(1,297)	(3,444)	-	-	
Increase (Decrease) in net assets	885,822	32,649,930	129,238	5,067,528	1,015,060	37,717,458	97%
Net assets-beginning							
before prior period adjustments	49,081,290	7,945,965	31,187,336	26,119,808	80,268,626	34,065,773	136%
Prior period adjustments	-	8,485,395	-	-	-	8,485,395	100%
Net assets-beginning (restated)	49,081,290	16,431,360	31,187,336	26,119,808	80,268,626	42,551,168	89%
Net assets-ending	\$49,967,112	\$49,081,290	\$31,316,574	\$31,187,336	\$81,283,686	\$80,268,626	1%

City of North Miami, Florida

Management's Discussion and Analysis



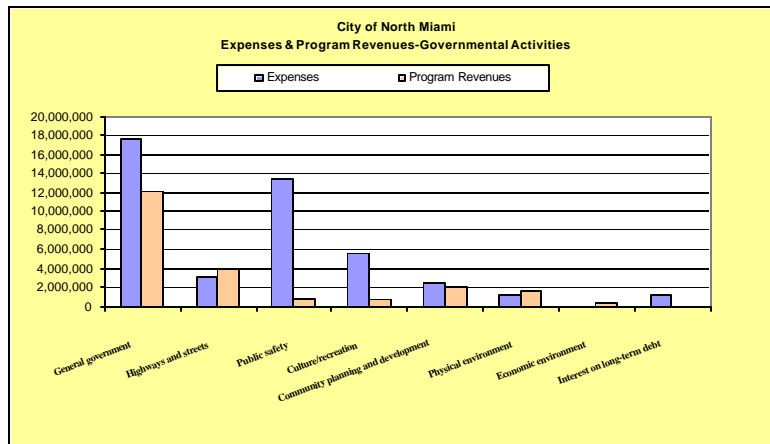
City of North Miami, Florida

Management's Discussion and Analysis

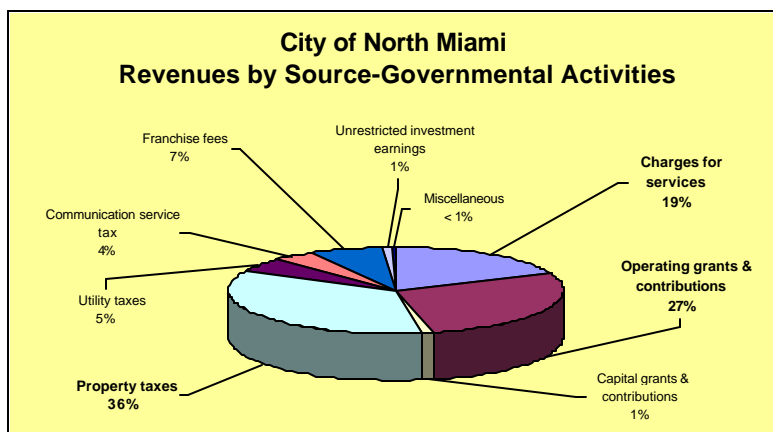
Governmental Activities

Government-type activities for fiscal year 2005 increased the City's net assets by \$885,822, accounting for about 87% percent of the total increase in the City's net assets.

- In 2005, general government, public safety and culture/recreation comprised over 81% of the City's total governmental activities. General government program revenues (\$12.1 million) funded approximately 69% of its activities (\$17.6 million). Culture/recreation program revenues (\$727,078) fund less than 14% of their activities (\$5.6 million), while public safety program revenues (\$835,507) fund only 6% of its activities (\$13.4 million). General revenues, primarily property taxes, fund the balance of these activities.
- Highways and streets reflect \$738,000 in program revenues in excess of expenses. This is primarily due to the recognition of capital grants, but where the expense activities do not yet reflect depreciation on those infrastructure improvements.
- Physical environment reflects \$270,732 in program revenues in excess of expenses. This is due to over \$585,000 in interest income earned on assets restricted in escrow for the remediation and closure of an old landfill site, and a \$1 million contribution from the developer towards the debt service of a remediation-related debt.
- A prior period adjustment for infrastructure assets restated total net assets at the beginning of the year by \$8,485,395. Net assets at year end were \$49,967,112.
- The most significant item affecting governmental activities was the recognition of \$31 million in one-time operating grant revenues during 2004. Although the funds were received in 2005, the revenue was recognized in 2004. This results in a 31% reduction in the City's revenues from 2004.



In 2005, program revenues, comprised of charges for services, and operating and capital grants and contributions, represents 47% of the governmental activities total revenues. Property taxes, which represent 36% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



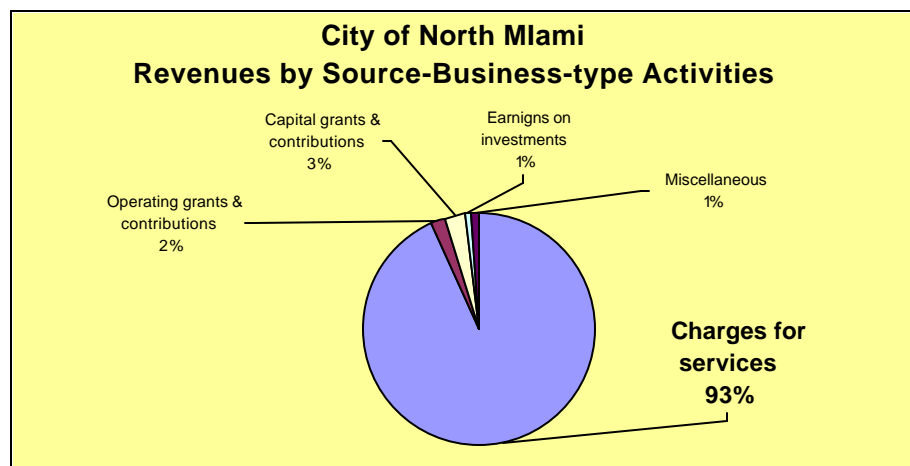
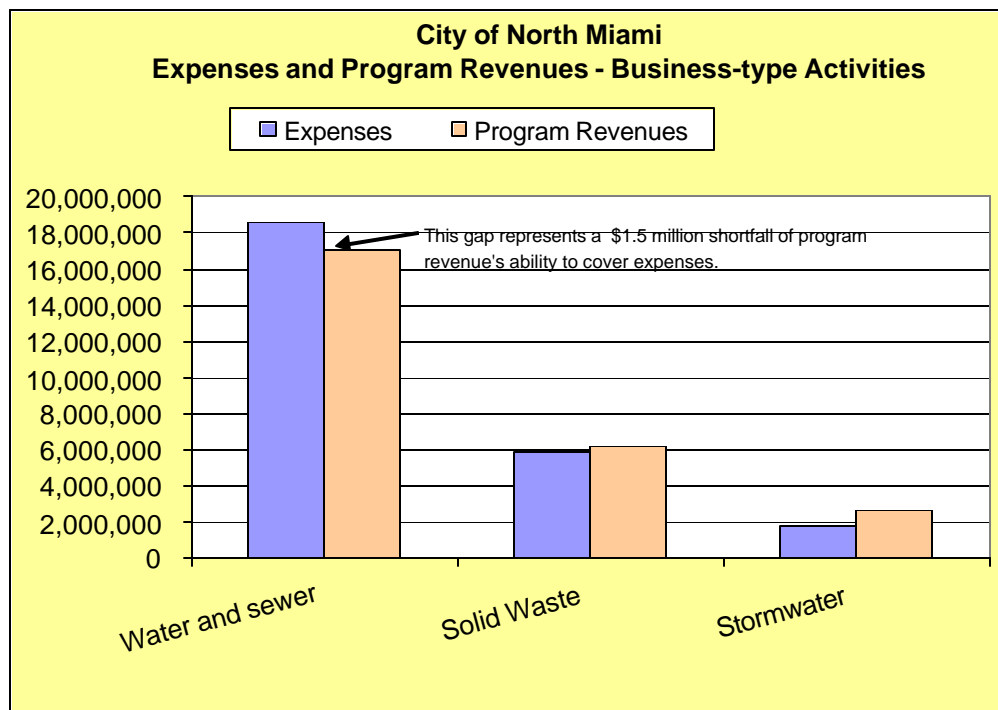
City of North Miami, Florida

Management's Discussion and Analysis

Business-type Activities

Net assets of the City's business-type activities increased by \$129,238; the net assets increased from \$31,187,336 in the last fiscal year to \$31,316,574 in the current fiscal year.

- In the prior year, the increase in net assets of over \$5 million was due to grants which are non-recurring, non-operating revenue sources.
- While rate increases that were approved in early 2004 generated increases in net assets for two activities, these increases (\$1,609,685) were offset by the continued operational losses and reduction in net assets (\$1,480,447) in one other business-type activity. Rate increases approved for 2006, are expected to correct the operational losses in the Water & Sewer Utility.
- Charges for services represented 93% of the 2005 revenues for the business-type activities.
- Operating expenses (excluding depreciation) in the business-type activities increased by 3.28%, primarily due to personal services, including employee benefits.



City of North Miami, Florida

Management's Discussion and Analysis

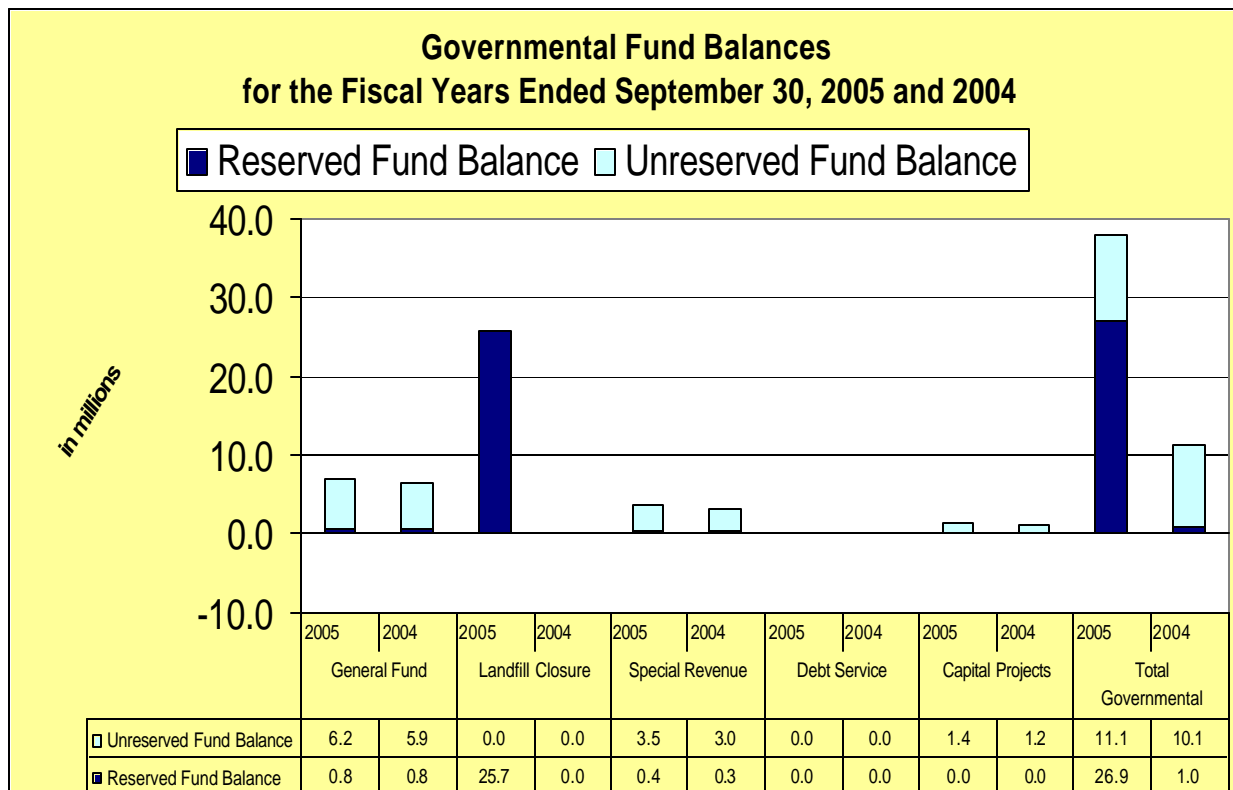
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of North Miami uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2005, the City's governmental funds reported combined ending fund balances of \$37,984,720; an increase of \$26,825,886 in comparison with the prior year. Approximately 29% of the ending fund balance (\$11,079,947) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,185,308), 2) for the remediation and closure of an old landfill site (\$25,517,511) or 3) for other restricted purpose (\$201,954). It is important to note, that although available for spending, \$3,511,654 and \$1,354,642 are the unreserved fund balances for the special revenue funds and the capital project funds respectively. These funds were set up to separately account for certain revenue sources that are legally restricted to expenditure for specified purposes.



City of North Miami, Florida

Management's Discussion and Analysis

General Fund

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are accounted for in this fund. General operating expenses and capital improvement costs not paid through another fund are paid from this fund. At September 30, 2005 unreserved fund balance of the General Fund was \$6,213,651, while total fund balance was \$7,006,255. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund	2005	2004
Unreserved fund balance	\$6,213,651	\$5,870,488
As percentage of total fund expenditures	16%	16%
Total fund balance	\$7,006,255	\$6,620,959
As percentage of total fund expenditures	18%	18%

The fund balance of the City's General Fund increased by \$385,296 during the current fiscal year. Total revenues increased by 3%, while total General Fund expenditures also increased by 6% over the prior year. The amount of total revenues exceeded the expenditures resulting in the fund balance increase and allowing the City to maintain a healthy general fund surplus reserve.

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

General Fund Revenues	2005 Amount	Percent of Total	2004 Amount	Percent of Total	Increase (Decrease) From 2004	Percentage of Increase (Decrease)
Property taxes	\$15,504,316	39%	\$13,647,612	36%	\$1,856,704	14%
Utility service taxes	2,428,733	6%	2,458,734	6%	(30,001)	-1%
Communication services tax	1,953,438	5%	1,729,145	5%	224,293	13%
Sales and use taxes	894,061	2%	882,228	2%	11,833	1%
Franchise fees	3,140,507	8%	2,841,720	7%	298,787	11%
Licenses and permits	1,661,473	4%	1,348,970	4%	312,503	23%
Intergovernmental	7,338,581	18%	7,253,821	19%	84,760	1%
Charges for services	6,029,459	15%	6,002,864	16%	26,595	0%
Fines and forfeitures	330,764	1%	371,843	1%	(41,079)	-11%
Other, including interest	645,111	2%	1,864,731	5%	(1,219,620)	-65%
Total revenues	\$39,926,443	100%	\$38,401,668	100%	\$1,524,775	4%

- Property tax revenues increased 14%. All of this as a result of increased property values and new construction. The operating tax rate remained unchanged at \$8.500 per \$1,000 of assessed value.
- Franchise fees reflect increases partially due to the increase in the non-exclusive franchise fees charged to private waste haulers. The fee was increased from 17 ½ % to 20% for 2005.
- Licenses and permits reflect the increased activity of rehabilitation and revitalization of homes and businesses within the City, as well as permits issued for the ongoing construction of the Biscayne Landing development project.
- In 2004, other revenues included approximately \$1.5 million in one-time non-recurring items for reimbursements from the internal Risk Management Internal Service Fund; litigation settlements; and developer proceeds paid pursuant to a development agreement.

City of North Miami, Florida

Management's Discussion and Analysis

Expenditures in the General Fund are shown in the following schedule :

General Fund Expenditures	2005 Amount	Percent of Total	2004 Amount	Percent of Total	(Decrease) From 2004	of Increase (Decrease)
General government:						
Departmental	6,300,455	16%	\$5,692,603	16%	\$607,852	11%
Non-departmental	9,485,652	25%	7,857,683	22%	1,627,969	21%
Public Safety	12,519,667	33%	11,841,966	33%	677,701	6%
Cultural/Recreation	4,950,200	13%	5,150,279	14%	(200,079)	-4%
Community, planning and development	1,921,171	5%	1,743,848	5%	177,323	10%
Highways and streets	2,158,240	6%	2,159,746	6%	(1,506)	0%
Grants/aid	267,360	1%	386,617	1%	(119,257)	-31%
Capital outlay	814,174	2%	1,396,667	4%	(582,493)	-42%
Total expenditures	\$38,416,919	100%	\$36,229,409	100%	\$2,187,510	6%

- Public safety accounts for over one-third of the General Fund's budget. The 6% increase is primarily due to salary upgrades for police officers and sergeants, as part of police bargaining contract.
- Decreases in capital outlays were the result of fewer grant-funded projects.
- Increases in general government were partially due to salary upgrades and new positions in the City Manager and City Attorney offices, as well as the implementation of the transportation outreach program (a.k.a. the transit circulator) under the City Manager's department.
- The most significant increase was in Non-Departmental. The following contributed to this increase:
 - \$960,785 increase in employer contributions to the pension plans
 - \$245,090 increase due to termination payouts to retirees.
 - \$210,541 increase in premiums for the employee's group health insurance
 - \$78,061 increase in the workers' compensation premiums charged by the Risk Management Self Insurance Fund to recover costs for claims paid and to fund long-term claims payable.

Landfill Closure Fund (Major Fund)

This fund reflects a fund balance of \$25,701,054, all of which is reserved for remediation and closure or debt service. In 2004, an agreement for annual grant funding was amended to a one-time grant of \$31 million to cover the City's estimated environmental liability. The \$31 million grant was received on December 22, 2004, and placed in an escrow account, where the funds are to be used for the remediation and closure of an old landfill site. The cost for the remediation and closure is estimated to be \$25,517,511 at year end. However, this long-term liability is not recorded at the fund level, but is instead reflected in the statement of net assets under GASB 34. As a result of the amount of grant funds received, this fund was determined to be a major fund for 2005.

Other governmental funds (non major)

Significant items pertaining to other governmental funds (non major) are as follows:

- Special Revenue unreserved fund balance at year end was \$3,511,654; an increase of \$662,710:
 - The most significant increase was \$1,805,877 in additional tax revenues from the Half Cent Transportation Surtax. The fund reported an unreserved yearend fund balance of \$2,576,435.
 - Decreased activity in providing home rehabilitation grants to homeowners, continued during 2005 and generated an increase in net assets of \$417,743 in the Local Housing Assistance (SHIP) Fund, and produced an unreserved fund balance of \$739,883 at year end.
- Debt Service funds reflect a fund balance of \$8,437, eliminating the deficit balance in 2004.
- Capital Projects funds reported an unreserved fund balance of \$1,354,642 at year end. The \$113,619 increase was primarily due to Transportation Gas Tax monies received in 2005.

City of North Miami, Florida

Management's Discussion and Analysis

Internal Service Funds

Significant items pertaining to internal service funds are as follows:

- The Group Health Risk Management Fund was closed in 2005, with the balance of \$5,857 being returned to the General Fund.
- The General Risk Management Fund reflects no net assets, because it annually charges the user funds an amount equal to the actuarially determined funding level required to fully fund its workers compensation and general liability estimated long-term claims payable. At year end, assets totaling, \$4,080,752 are accumulated to cover current and long-term liabilities.
- The Fleet Management Fund decreased its net assets by \$564,305. Its net assets at yearend were \$5,296,605. This fund is responsible for the maintenance of the City's fleet of vehicles and heavy equipment. Investments in capital assets represent \$3,775,947; the remaining unrestricted net assets of \$1,520,658 are accumulated for vehicle and equipment replacement.

Enterprise Funds

In addition to the items already addressed in the discussion of the City's business-type activities, other significant items pertaining to enterprise funds are as follows:

- The Water & Sewer Utility posted an operating loss of \$1,996,132 for 2005, compared to a loss of \$1,793,214 in 2004. While operating revenues were up less than 1% as a result of slight increases in consumption levels, the operating expenses incurred in generating those revenues increased by 3.3%. Cost increases included 6.7% increases in personal expenses, with increases in employer pension contributions and employee group insurance representing about a third of this increase. The balance of the increase was from a 2% salary COLA adjustment. While sewage disposal costs increased by 5% due to increased consumption activity, the cost of water purchases from the County decreased by 5%. The changes are attributable to customer consumption and the City's water production, since there were no rate increases from the County in 2005. On the other hand, the City has not approved a customer rate increase since fiscal year 2000. The City did approve rate increases for 2006.
- The Stormwater Utility successfully reported operating income of \$463,322 for 2005. An increase of 8% over last year's \$429,429. The revenues reflected a 10% increase, but not because of a rate increase for 2005. Instead, the increase is the result of a full year of revenues at a rate increased in 2004, which became effective in December 2003. Depreciation expense increased by \$186,000, as a result of the drainage improvements capitalized in 2004. Unrestricted net assets at year end are \$78,886 compared to the deficit of \$119,737 reported in 2004. In an effort to continue to generate positive operating results, and to build up the unrestricted balance of net assets, a rate increase was approved for 2006.
- The Solid Waste Fund successfully reported operating income of \$143,025 for 2005, compared to \$211,196 in 2004. Operating expenses increased by 5%. About 40% of the increase is attributable to increases in waste disposal fees, resulting from a 3.2% rate increase imposed by the County. Additionally, approximately \$313,000 in disaster related expenses were incurred during 2005, as a result of debris clearing in the aftermath of Hurricane Katrina. The customer rates were increased in 2004 to cover current operating expenses, and to partially fund deficits in net assets generated from prior years' losses that resulted from inadequate rates. No inflationary rate increases were proposed for 2006.

Fiduciary Funds

Although recovering market conditions continued through 2005, investment income was slightly lower than last year by \$100,266. The plans' investment policies set the portfolio allocation at 60% equities and 40% fixed income. Additionally, based on prior years' actuarial valuations and poor investment performance, required employer contributions in 2005 increased by \$1.1 million. During 2005, there was \$475,636 in additional retirement benefit payouts than the previous year. Both plans posted increases in net assets totaling \$5,975,587.

City of North Miami, Florida

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in increases to revenues (grants/other) and appropriations (various departments) of \$196,995 to allow for unanticipated grants awarded during 2005. Additionally, \$99,648 in changes between departments (the budgetary level of control for the General Fund) and can be briefly summarized as follows:

- \$82,794 in increases for general government departmental activities
 - \$82,595 in increases for city attorney's office
 - \$199 in increases for city manager's office
- \$16,854 in increases for capital outlay (museum)
- \$99,648 in decreases from non-departmental (employee benefits)

Even with these adjustments, actual expenditures were \$3,869,186 below final budget amounts. Additionally, resources available for appropriations from current year activities exceeded budget expectations by \$1,148,580. Other net financing sources were slightly below budgeted amounts. This resulted in an overall positive variance of \$3,770,711 between the final budgeted net decrease in fund balance of \$3,486,561 and the actual net increase of \$284,150. Summarized below are the significant variances accompanied by an explanation:

- Taxes: Franchise fees Favorable \$516,699 variance
 - \$310,141 related to the FP&L franchise resulted from the utility's rate increase in 2005, as well as the implementation of a storm reserve surcharge.
 - \$134,780 related to a non-exclusive franchise fee assessed to private waste haulers in the City. For 2005, the rate was increased from 17 ½ % to 20%.
- Taxes: Communication service tax, Favorable \$318,512 variance
 - This revenue is estimated by the state based on distribution formulas. It appears that increases in service provider rates and added activity resulted in the favorable variance.
- Licenses and permits: Construction Permits, Favorable \$166,473 variance
 - \$122,000 related to the issuance of certificates of re-occupancy and other permits that reflected increased activity in property sales and home improvements in 2005. Another \$64,000 was attributable to the implementation of a new fee for information requests.
- Intergovernmental: State and local revenue sharing, Favorable \$711,205 variance
 - \$453,410 in additional state revenue sharing revenues; budget estimates provided by state.
 - \$314,575 in additional local government ½ cent sales tax; budget estimate provided by state
 - These revenues are estimated by the state based on distribution formulas
- Fines & Forfeitures: Unfavorable \$469,026 variance
 - The City anticipated the implementation of an amnesty program that would have aggressively generated over \$600,000 in added revenues. The program's implementation has been delayed.
- Non-Departmental: Favorable \$1.2 million variance
 - \$638,016 from unused contingencies.
 - \$339,148 from unused salary adjustments
 - \$190,154 in reduced user premiums for general liability and workers compensation, resulting from an actuarial study.
 - \$160,605 from unanticipated savings in health group insurance premiums.
- Parks and Recreation: Favorable \$478,753 variance
 - The variance resulted from staff turnover and vacancies.

City of North Miami, Florida

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City of North Miami's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounts to \$81,794,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, enterprise funds' infrastructure, machinery and equipment, and library books. The investment also includes governmental infrastructure assets acquired prior to 2002, which the City had elected to defer inclusion of these assets until now, pursuant to GASB 34. As such, the 2004 balances have been restated to reflect a prior period adjustment of \$8,468,138 representing the inclusion of these infrastructure assets, net of accumulated depreciation.

Capital Assets (net of depreciation)	Governmental Activities (Restated)		Business-type Activities		Totals (Restated)	
	2005	2004	2005	2004	2005	2004
Capital assets, not being depreciated:						
Land	\$19,139,727	\$19,139,727	\$660,312	\$660,312	\$19,800,039	\$19,800,039
Construction in progress	919,312	46,474	295,229	-	1,214,541	46,474
Total capital assets, not being depreciated	20,059,039	19,186,201	955,541	660,312	21,014,580	19,846,513
Capital assets, being depreciated, net						
Land Improvements	2,874,763	3,626,910	60,009	63,338	2,934,772	3,690,248
Buildings/utility plant and improvements	9,712,032	9,948,514	343,868	365,138	10,055,900	10,313,652
Infrastructure	13,784,046	14,107,919	26,934,955	27,647,092	40,719,001	41,755,011
Machinery and equipment	4,389,298	4,189,665	2,312,256	1,038,414	6,701,554	5,228,079
Library books	368,504	350,661	-	-	368,504	350,661
Total capital assets, being depreciated, net	31,128,643	32,223,669	29,651,088	29,113,982	60,779,731	61,337,651
Total	\$51,187,682	\$51,409,870	\$30,606,629	\$29,774,294	\$81,794,311	\$81,184,164

The total net increase in the City's investment in capital assets for the current fiscal year was \$610,147 (0.75%). The gross additions to capital assets before depreciation, equaled \$3,268,253 for governmental and \$2,177,704 for business-type activities. This year's major capital asset additions (approximately) included:

- \$295,000 in stormwater drainage improvement projects. This is the third year of \$11.3 million in improvements that are being funded by a loan (\$5.6 million) and by a FEMA grant (\$5.7 million).
- \$367,000 in water and sewer projects. Projects include sanitary sewer line rehab projects (relining of sewer lines) which are ongoing. Other costs represent upgrades of lift stations and utility lines.
- \$751,000 in capital projects funded by the ½ cent transportation surtax. Projects included sidewalk repairs, Breezeswept restoration, and street resurfacing.
- \$366,000 for other street, sidewalk, curb, and swale improvements.
- \$196,000 in building improvements at City Hall and the Police Building.
- \$2,385,000 in vehicular assets (fleet). This included 20 police vehicles, a crime scene truck, 2 sewer vac-con trucks, 7 solid waste collection trucks, 1 recycling truck, 9 staff cars/pickups, and a portable CNG generator.
- \$639,500 in equipment. This included about \$159,000 in computer equipment and \$415,000 in garbage containers for use in the automated garbage collection system.
- \$185,500 in architectural and design services for a new recreational facility and a new library.
- \$130,000 in new books.
- \$130,000 in other capital improvements to buildings, land and infrastructure.

Additional information on the City's capital assets can be found in note 7 on pages 50-52 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

Long-term debt

At September 30, 2005, the City had total bonded debt outstanding of \$22,639,915. Of this amount, \$2,490,000 comprises debt backed by the full faith and credit of the City. The remaining debt is composed of special obligation bonds, loans and notes payable that are secured by non-ad valorem revenues through covenants to budget and appropriate.

Long-term Debt	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation debt	\$2,490,000	\$2,780,000	\$ -	\$ -	\$2,490,000	\$2,780,000
Special obligation bonds	14,305,000	14,475,000	-	-	14,305,000	14,475,000
Loans, notes payable and other obligations	849,915	1,830,444	4,995,000	5,180,000	5,844,915	7,010,444
Total	\$17,644,915	\$19,085,444	\$4,995,000	\$5,180,000	\$22,639,915	\$24,265,444

The City's total long-term debt decreased by \$1,625,529 (7 %) during the current fiscal year. The decrease is attributable to scheduled debt retirement on bond issues and outstanding loans.

Annual debt service on the general obligation debt approximates \$420,000 over the life of the debt, with a maturity of May 1, 2012. Annual debt service on the loan (stormwater projects) approximates \$440,000 over the life of the loan, with a maturity of November 1, 2021. Annual debt service on the special obligation (pension) bonds approximates \$1.2 million over the life of the bonds with a maturity of July 1, 2032. The note payable (environmental cleanup) will be paid off on December 1, 2005.

The Taxable Special Obligation Refunding Bonds (Pension Funding Project) Series 2002 had a rating of **AAA/A-1/Stable** by both Standard and Poor's (November 2002) and Fitch Ratings (December 2002). The ratings reflect the existence of a bond insurance policy.

The loans and notes payable are not rated. The State of Florida does not impose a debt limitation on municipalities.

Additional information on the City's long-term debt can be found in note 8 on pages 52-59 of this report.

City of North Miami, Florida

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

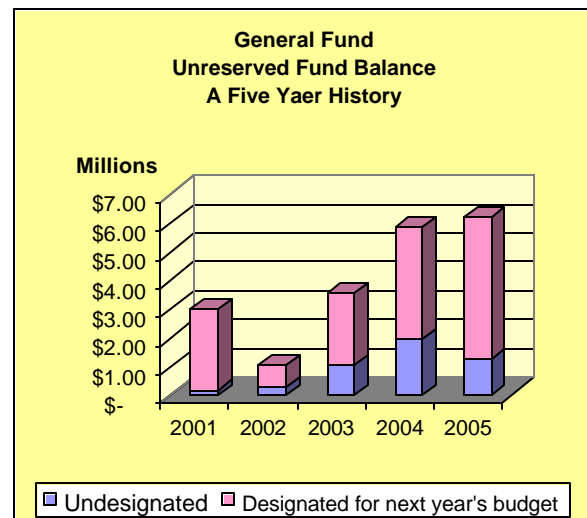
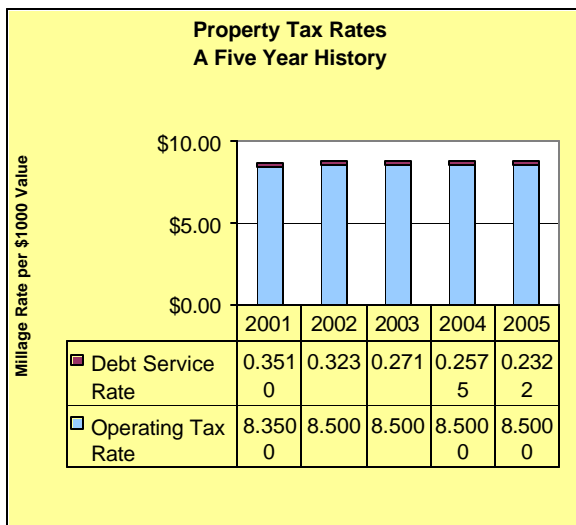
The City's local economy is primarily based upon retail and service activities. Very few areas in the City remain undeveloped, because the City is basically built out. One exception is the former Munisport site, which is the City's last remaining large parcel of open space. This property is being developed into a major project, n/k/a Biscayne Landing that will provide new revenue streams for the City beginning in fiscal year 2006, under a long-term ground lease. In addition to rental income from the lease, the project will also continue to generate revenues from building permits and impact fees, during the construction phase. The City's recently adopted comprehensive economic development plan formulates strategies and goals for neighborhood and commercial revitalization, a primary focus of the City for achieving economic growth. On June 7, 2005, the City's Community Redevelopment Agency ("CRA") was officially created to further the movement of city-wide redevelopment. The CRA's first budget was adopted for fiscal year 2005-06, and as such there is no reportable financial activity for 2005. Although property taxes generated from the incremental tax value on certain properties within the City will be redirected through the City to the CRA, the CRA will also benefit from 95% of the County's portion of the assessment increment attributable to Biscayne Landing.

The State of Florida limits all local government's ability to increase taxable property values in any given year to 3% or cost of living, whichever is lower. Additionally, the first \$25,000 of assessed value is exempt from taxation on homestead property. During 2005, the continued trend of low interest mortgage rates has generated activity in the real estate market, both from sales and refinancing. This activity provides the opportunity for parcel reassessments that lead to increased property values. Additionally, new construction and housing rehabilitation throughout also contributed to the 14% increase in revenues from property taxes over 2004.

Between 2000 and 2006, the City's General Fund budget has increased approximately 65%. During this same period, the consumer price index increased just over 16.5%. The difference in the rate of growth has been attributed to the expansion of programming and the operation of new facilities.

During the current fiscal year, unreserved fund balance in the general fund increased to \$6,213,651. The City has appropriated \$4,918,328 of this amount for spending in the 2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2006 fiscal year.

The charts below present a five year history the City's operating tax rate and unreserved balances:

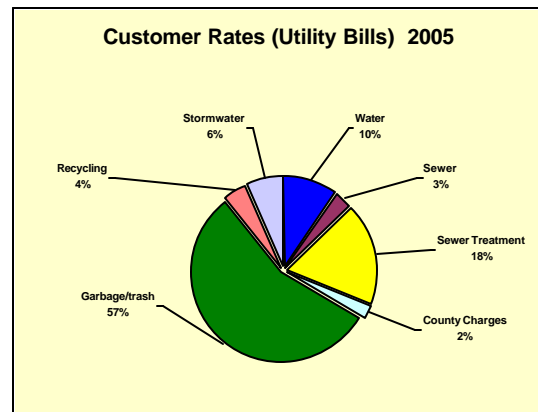


City of North Miami, Florida

Management's Discussion and Analysis

The chart below reflects a five-year history of annual rates (utility bills) affecting a single family home inside the City that uses 60,000 gallons during the year (an average of 5,000 gallons/month; the minimum charge):

		Fiscal Years				
Customer Rates Annual		2001	2002	2003	2004	2005
Water & Sewer	Water	\$ 84.00	\$ 84.00	\$ 84.00	\$ 84.00	\$ 84.00
	Sewer	26.04	26.04	26.04	26.04	26.04
	Sewer Treatment	159.60	159.60	159.60	159.60	159.60
	County Charges	20.24	20.24	20.24	20.24	20.24
Solid Waste	Garbage/trash	378.00	384.00	384.00	483.00	483.00
	Recycling	-	29.16	29.16	37.92	37.92
	Stormwater	25.20	25.20	25.20	55.80	55.80
	Totals	\$ 693.08	\$ 728.24	\$ 728.24	\$ 866.60	\$ 866.60



Since 1998, the Solid Waste and Stormwater Utility funds have both been reporting operating losses as a result of little or no rate increases over the five-year period from 1998 to 2003. During that time, sanitation rates were increased only 4% from \$366/year to \$384/year. This represented an annual increase of about .8%. The stormwater rate had only been increased by 5% over that same five-year period. On December 1, 2003, the City approved rate increases for both of these activities, which resulted in operating income for both funds for 2004 and 2005. The increases were only intended to cover current operations, including the debt service on the stormwater loan, as well as to fund deficits in unrestricted net assets. At of year end, both of these funds reported positive balances in unrestricted net assets. As for the Water & Sewer Utility, this fund has not had a rate increase since 2000. In 2005 this utility is reporting a net operating loss of \$1,996,132. At year end, unrestricted net assets balance for this utility is \$1,926,239. During its budget hearing for the 2005-06 budget year, the City approved a significant rate increase for the Water & Sewer Utility. Additionally, and pursuant to recommendations that all utility rates should be reviewed and adjusted for inflation annually, to prevent “catch-up” rate increases, the City, also approved a resolution allowing for the implementation of a Consumer Price Index (“CPI”) adjustment that will allow the City Manager to apply this inflationary tool to each of the enterprise funds as recommended by staff.

During fiscal year 2006, the City will be looking at the following programs:

- Recognition of rents on the ground lease of the *Biscayne Landing* project.
- As part of the development agreement, and the City is also pursuing the following:
 - Renovation and expansion of the existing City library
 - Funding for an Olympic training center
- Implementation of the Phase II of the “Automated Garbage Collection System”
- Implementation of a “Walk-Thru Permit Process”
- Over \$1.9 million in projects funded by the ½ Cent Transportation Tax
- Needs assessment study for the procurement of a new financial software system
- Funding capital projects thru the County’s Building Better Communities’ GOB Program:
 - Pepper Park Recreational Community Center
 - Olympic Training Center
 - Two sanitary sewer projects
- Aggressive pursuit of additional grant funding opportunities.
- Over \$3 million in housing rehabilitation grants funded by CDBG, SHIP and HOME funds.
- Continued improvements to the stormwater drainage system.

All of these factors were considered in preparing the City of North Miami’s budget for the 2006 fiscal year.

City of North Miami, Florida

Management's Discussion and Analysis

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of North Miami's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Carlos M. Perez
Finance Director
Finance Department
City of North Miami
776 NE 125th Street
North Miami, Florida, 33161

BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Primary Government			Component
		Business-		Unit
	Governmental	type	Total	MoCA
	Activities	Activities		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,434,438	\$ 2,932,254	\$ 8,366,692	\$ 268,206
Investments	11,550,000	2,600,000	14,150,000	-
Receivables	3,788,050	5,823,577	9,611,627	388,400
Due from pension funds	25,219	-	25,219	-
Internal balances	148,555	(148,555)	-	-
Inventories and supplies	57,331	367,396	424,727	17,600
Net pension asset	8,050,161	-	8,050,161	-
Deferred charges	420,235	84,596	504,831	-
Assets held for resale	10,000	-	10,000	-
Net investment in sales-type lease	-	343,198	343,198	-
Restricted assets:				
Cash and investments	25,379,775	2,515,065	27,894,840	83,231
Other assets	78,645	8,050	86,695	5,467
Capital assets, not being depreciated	20,059,039	955,541	21,014,580	-
Capital assets, being depreciated, net	<u>31,128,643</u>	<u>29,651,088</u>	<u>60,779,731</u>	<u>31,569</u>
Total assets	<u>106,130,091</u>	<u>45,132,210</u>	<u>151,262,301</u>	<u>794,473</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	2,400,857	1,528,438	3,929,295	155,289
Contracts payable - retainage	102,271	-	102,271	-
Interest payable	121,338	115,458	236,796	-
Deposits and performance bonds	86,019	2,143,403	2,229,422	-
Due to other governmental units	14,164	1,206,618	1,220,782	-
Unearned revenue	2,010,844	65,074	2,075,918	-
Noncurrent liabilities:				
Due within one year	4,152,817	508,019	4,660,836	-
Due in more than one year	<u>47,274,669</u>	<u>8,248,626</u>	<u>55,523,295</u>	<u>-</u>
Total liabilities	<u>56,162,979</u>	<u>13,815,636</u>	<u>69,978,615</u>	<u>155,289</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	47,854,721	25,313,980	73,168,701	-
Restricted for:				
Capital projects	-	3,450,170	3,450,170	-
Law enforcement	184,009	-	184,009	-
Transportation	3,828,442	-	3,828,442	-
Museum operations	-	-	-	136,231
Grant related expenses	744,471	-	744,471	-
Unrestricted	<u>(2,644,531)</u>	<u>2,552,424</u>	<u>(92,107)</u>	<u>502,953</u>
Total net assets	<u>\$ 49,967,112</u>	<u>\$31,316,574</u>	<u>\$81,283,686</u>	<u>\$ 639,184</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2005

		Net (Expense) Revenue and Changes in Net Assets						
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 17,623,838	\$ 6,468,941	\$ 5,632,752	\$ -	\$ (5,522,145)	\$ -	\$ (5,522,145)	\$ -
Highways and streets	3,200,028	29,188	3,569,595	339,255	738,010	-	738,010	-
Public safety	13,445,521	368,822	466,685	-	(12,610,014)	-	(12,610,014)	-
Culture/recreation	5,587,756	463,990	60,404	202,684	(4,860,678)	-	(4,860,678)	-
Community planning and development	2,429,379	1,348,524	763,057	-	(317,798)	-	(317,798)	-
Physical environment	1,342,690	-	1,613,422	-	270,732	-	270,732	-
Economic environment	33,175	-	426,290	-	393,115	-	393,115	-
Interest on long-term debt	1,296,332	-	-	-	(1,296,332)	-	(1,296,332)	-
Total governmental activities	44,958,719	8,679,465	12,532,205	541,939	(23,205,110)	-	(23,205,110)	-
Business-type activities:								
Water and sewer	18,586,779	16,590,647	53,624	414,484	-	(1,528,024)	(1,528,024)	-
Solid waste	5,878,639	6,021,664	222,233	-	-	365,258	365,258	-
Stormwater	1,817,173	2,020,618	226,298	382,187	-	811,930	811,930	-
Total business-type activities	26,282,591	24,632,929	502,155	796,671	-	(350,836)	(350,836)	-
Total primary government	\$ 71,241,310	\$ 33,312,394	\$ 13,034,360	\$ 1,338,610	(23,205,110)	(350,836)	(23,555,946)	-
Component unit:								
MoCA	\$ 2,617,648	\$ 696,670	\$ 2,103,258	\$ -	-	-	-	182,280
General revenues:								
Property taxes levied for general purposes					15,504,316	-	15,504,316	-
Property taxes levied for debt service					430,233	-	430,233	-
Utility taxes					2,428,733	-	2,428,733	-
Communication services tax					1,953,438	-	1,953,438	-
Franchise fees based on gross receipts					3,140,507	-	3,140,507	-
Unrestricted investment earnings					455,930	211,381	667,311	4,341
Miscellaneous revenues					176,478	269,990	446,468	1,303
Transfers					1,297	(1,297)	-	-
Total general revenues and transfers					24,090,932	480,074	24,571,006	5,644
Change in net assets					885,822	129,238	1,015,060	187,924
Net assets, beginning, as previously reported					40,595,895	31,187,336	71,783,231	451,260
Prior period adjustment (Note 7)					8,485,395	-	8,485,395	-
Net assets, beginning, as restated					49,081,290	31,187,336	80,268,626	451,260
Net assets, ending				See notes to basic financial statements.	\$ 49,967,112	\$ 31,316,574	\$ 81,283,686	\$ 639,184

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>General</u>	<u>Landfill Closure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$2,413,059	\$ 86,362	\$ 1,502,529	\$ 4,001,950
Investments	3,850,000	100,000	3,825,000	7,775,000
Receivables, net	2,782,114	132,448	711,048	3,625,610
Due from other funds	471,276	2,469	-	473,745
Inventories and supplies	9,974	-	-	9,974
Assets held for resale	-	-	10,000	10,000
Other assets	62,417	-	2,995	65,412
Restricted assets:				
Cash held by agent	-	25,379,775	-	25,379,775
Total assets	<u>\$9,588,840</u>	<u>\$25,701,054</u>	<u>\$ 6,051,572</u>	<u>\$ 41,341,466</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$1,773,430	\$ -	\$ 540,481	\$ 2,313,911
Accrued bond interest	-	-	43,330	43,330
Contract payable - retainage	34,082	-	68,189	102,271
Deposits and performance bonds	86,019	-	-	86,019
Due to other funds	210,602	-	54,661	265,263
Due to other governmental units	11,176	-	113	11,289
Deferred revenue	128,246	-	67,387	195,633
Unearned revenue	339,030	-	-	339,030
Total liabilities	<u>2,582,585</u>	<u>-</u>	<u>774,161</u>	<u>3,356,746</u>
Fund balances:				
Reserved:				
Encumbrances	782,630	-	402,678	1,185,308
Debt service	-	183,543	8,437	191,980
Inventories and supplies	9,974	-	-	9,974
Remediation and closure	-	25,517,511	-	25,517,511
Unreserved reported in:				
General fund:				
Undesignated	1,295,323	-	-	1,295,323
Designated for accumulated vacation and sick leave	424,600	-	-	424,600
Designated for subsequent year's expenditures	4,493,728	-	-	4,493,728
Special revenue fund	-	-	3,511,654	3,511,654
Capital projects fund	-	-	1,354,642	1,354,642
Total fund balances	<u>7,006,255</u>	<u>25,701,054</u>	<u>5,277,411</u>	<u>37,984,720</u>
Total liabilities and fund balances	<u>\$9,588,840</u>	<u>\$25,701,054</u>	<u>\$ 6,051,572</u>	

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2005

Total fund balances for governmental funds (page 25)	\$ 37,984,720
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,410,276
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	420,235
A negative NPO (net pension obligation) is not considered to represent a financial asset and therefore is not reported in the governmental funds.	8,050,161
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities.	
These liabilities consist of:	
Compensated absences	\$ (6,580,342)
Bonds payable	(12,209,882)
Notes payable	(849,915)
Loan payable	(2,483,046)
Interest payable	(78,008)
Remediation and landfill closure costs	<u>(25,517,511)</u>
Total long-term liabilities	(47,718,704)
Unearned revenue in governmental funds is susceptible to full accrual on the entity-wide statements.	
Unearned revenue	(1,476,181)
Internal service funds are used by management to charge the costs of risk management, fleet management, and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
	<u>5,296,605</u>
Net assets of governmental activities	<u><u>\$ 49,967,112</u></u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>General</u>	<u>Landfill Closure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 23,921,055	\$ -	\$ 430,233	\$ 24,351,288
Licenses and permits	1,661,473	-	-	1,661,473
Intergovernmental	7,338,581	31,027,000	3,216,865	41,582,446
Charges for services	6,029,459	-	-	6,029,459
Fines and forfeitures	330,764	-	121,623	452,387
Other (including interest)	645,111	1,585,422	235,408	2,465,941
Total revenues	<u>39,926,443</u>	<u>32,612,422</u>	<u>4,004,129</u>	<u>76,542,994</u>
Expenditures:				
Current:				
General government	15,786,107	-	-	15,786,107
Highways and streets	2,158,240	-	561,618	2,719,858
Public safety	12,519,667	-	203,891	12,723,558
Culture/recreation	4,950,200	-	-	4,950,200
Community planning and development	1,921,171	-	395,679	2,316,850
Physical environment	-	6,102,114	-	6,102,114
Economic environment	-	-	8,546	8,546
Grants/aid	267,360	-	204,443	471,803
Capital outlay	814,174	-	1,275,198	2,089,372
Debt service:				
Principal retirement	-	980,529	460,000	1,440,529
Interest and fiscal charges	-	19,329	1,164,773	1,184,102
Total expenditures	<u>38,416,919</u>	<u>7,101,972</u>	<u>4,274,148</u>	<u>49,793,039</u>
Excess (deficiency) of revenues over expenditures	<u>1,509,524</u>	<u>25,510,450</u>	<u>(270,019)</u>	<u>26,749,955</u>
Other financing sources (uses):				
Transfers in	24,100	-	1,225,553	1,249,653
Transfers out	(1,149,273)	-	(25,394)	(1,174,667)
Total other financing sources (uses)	<u>(1,125,173)</u>	<u>-</u>	<u>1,200,159</u>	<u>74,986</u>
Net change in fund balances	384,351	25,510,450	930,140	26,824,941
Fund balances, beginning	6,620,959	190,604	4,347,271	11,158,834
Increase in inventory reserve	945	-	-	945
Fund balances, ending	<u>\$ 7,006,255</u>	<u>\$ 25,701,054</u>	<u>\$ 5,277,411</u>	<u>\$ 37,984,720</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances-total governmental funds (page 27)	\$ 26,824,941
Amounts reported for governmental activities in the statement of activities (page 24) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	
The details of the difference are as follows:	
Capital outlay	\$ 2,012,178
Depreciation expense	<u>(2,463,556)</u>
Net adjustment	(451,378)
In governmental funds, the proceeds received from dispositions of capital assets increases financial resources. In the statement of activities a gain or loss on sales, trade-ins, or other dispositions of capital assets is reported. Therefore, the change in net assets differs from the change in fund balance by the net book value of capital assets disposed.	(2,211)
The issuance of long-term debt (e.g., bonds, loans,) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.	
The details of the difference are as follows:	
Principal payments:	
FMLC loan (General Obligation)	290,000
Pension Obligation Bonds	170,000
Notes payable	<u>980,529</u>
Net adjustment	1,440,529
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
The details of the difference are as follows:	
Compensated absences	(262,794)
Accrued interest	(12,510)
Amortization of deferred charge on refunding	(142,027)
Amortization of issuance costs	(20,191)
Amortization of loan premium	7,946
Amortization of interest rate swap proceeds	62,498
Amortization of net pension asset	<u>(424,648)</u>
Net adjustment	(791,726)
Payment of landfill closure costs reported as an expenditure in the governmental funds is a reduction of long-term liabilities in the statement of net assets.	5,482,489
Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.	
The details of the difference are as follows:	
Receipt of landfill remediation and closure grant funds	(31,027,000)
Changes in deferred revenue	<u>60,746</u>
Net adjustment	(30,966,254)
Internal service funds are used by management to charge the costs of risk management, fleet management, and health insurance premiums to individuals funds.	
The net revenue of certain activities of internal service funds is reported with governmental activities.	(650,568)
Change in net assets of governmental activities (page 24)	<u>\$ 885,822</u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 950,959	\$ 573,894	\$ 1,407,401	\$ 2,932,254	\$ 1,432,488
Investments	1,500,000	200,000	900,000	2,600,000	3,775,000
Receivables	3,815,059	1,063,595	944,923	5,823,577	162,440
Due from other funds	147,971	43,158	12,331	203,460	468,004
Inventories and supplies	367,396	-	-	367,396	47,357
Other assets	7,910	-	140	8,050	13,233
Restricted assets:					
Cash held by agent	-	824,412	-	824,412	-
Investments	-	-	1,690,653	1,690,653	-
Total current assets	<u>6,789,295</u>	<u>2,705,059</u>	<u>4,955,448</u>	<u>14,449,802</u>	<u>5,898,522</u>
Non-current assets:					
Deferred charges	-	-	84,596	84,596	-
Net investment in sales-type lease	343,198	-	-	343,198	-
Advances to other funds	171,350	-	-	171,350	122,693
Capital assets, net	<u>22,104,876</u>	<u>1,457,108</u>	<u>7,044,645</u>	<u>30,606,629</u>	<u>3,777,406</u>
Total non-current assets	<u>22,619,424</u>	<u>1,457,108</u>	<u>7,129,241</u>	<u>31,205,773</u>	<u>3,900,099</u>
Total assets	<u>29,408,719</u>	<u>4,162,167</u>	<u>12,084,689</u>	<u>45,655,575</u>	<u>9,798,621</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Water and	Solid	Stormwater		Activities-
	Sewer	Waste	Utility	Totals	Internal
	<u>Utility</u>	<u>Services</u>	<u>Utility</u>	<u>Totals</u>	<u>Service</u>
					<u>Funds</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,029,635	\$ 457,529	\$ 41,274	\$ 1,528,438	\$ 86,946
Due to other funds	112,321	107,641	9,360	229,322	625,405
Deposits and performance bonds	2,143,403	-	-	2,143,403	-
Due to other governmental units	1,206,618	-	-	1,206,618	2,875
Current portion of loan payable	-	-	195,000	195,000	-
Current portion of capital lease payable	34,391	253,628	-	288,019	-
Interest payable	1,564	10,342	103,552	115,458	-
Unearned revenue	-	65,074	-	65,074	-
Total current liabilities	<u>4,527,932</u>	<u>894,214</u>	<u>349,186</u>	<u>5,771,332</u>	<u>715,226</u>
Non-current liabilities:					
Compensated absences	884,063	732,592	115,303	1,731,958	421,476
Estimated claims payable	-	-	-	-	3,365,314
Advances from other funds	-	217,622	76,421	294,043	-
Loan payable	-	-	5,012,766	5,012,766	-
Capital lease payable	<u>167,838</u>	<u>1,361,064</u>	<u>-</u>	<u>1,528,902</u>	<u>-</u>
Total non-current liabilities	<u>1,051,901</u>	<u>2,311,278</u>	<u>5,204,490</u>	<u>8,567,669</u>	<u>3,786,790</u>
Total liabilities	<u>5,579,833</u>	<u>3,205,492</u>	<u>5,553,676</u>	<u>14,339,001</u>	<u>4,502,016</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	21,902,647	409,376	3,001,957	25,313,980	3,777,406
Restricted for:					
Capital projects	-	-	3,450,170	3,450,170	-
Unrestricted	<u>1,926,239</u>	<u>547,299</u>	<u>78,886</u>	<u>2,552,424</u>	<u>1,519,199</u>
Total net assets	<u>\$23,828,886</u>	<u>\$ 956,675</u>	<u>\$6,531,013</u>	<u>\$31,316,574</u>	<u>\$ 5,296,605</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	
Operating revenues:					
Metered water sales	\$ 5,535,905	\$ -	\$ -	\$ 5,535,905	\$ -
Sanitary sewer sales	1,523,289	-	-	1,523,289	-
Sewage treatment charges	8,050,536	-	-	8,050,536	-
Solid waste services	-	6,021,664	-	6,021,664	-
Stormwater charges	-	-	2,020,618	2,020,618	-
Motor vehicle charges	-	-	-	-	2,521,452
Other charges for services	1,480,917	-	-	1,480,917	2,001,825
Total operating revenues	<u>16,590,647</u>	<u>6,021,664</u>	<u>2,020,618</u>	<u>24,632,929</u>	<u>4,523,277</u>
Operating expenses:					
Personal services	3,607,010	2,409,660	601,655	6,618,325	1,488,717
Sewage disposal and water charges	8,275,545	-	-	8,275,545	-
Solid waste disposal fees	-	1,524,345	-	1,524,345	-
Claims	-	-	-	-	990,612
Materials, supplies, services and other operating expenses	5,688,102	1,872,353	698,675	8,259,130	2,187,505
Depreciation	<u>1,016,122</u>	<u>72,281</u>	<u>256,966</u>	<u>1,345,369</u>	<u>1,022,524</u>
Total operating expenses	<u>18,586,779</u>	<u>5,878,639</u>	<u>1,557,296</u>	<u>26,022,714</u>	<u>5,689,358</u>
Operating income (loss)	<u>(1,996,132)</u>	<u>143,025</u>	<u>463,322</u>	<u>(1,389,785)</u>	<u>(1,166,081)</u>
Non-operating revenues (expenses):					
Interest income	146,890	12,942	38,251	198,083	148,966
Grants	209,795	222,233	608,485	1,040,513	135,427
Interest expense and fiscal charges	-	-	(254,590)	(254,590)	-
Bond premium	-	-	13,298	13,298	-
Bond issuance costs	-	-	(5,287)	(5,287)	-
Miscellaneous	<u>64,453</u>	<u>187,671</u>	<u>17,866</u>	<u>269,990</u>	<u>303,809</u>
Total non-operating revenues	<u>421,138</u>	<u>422,846</u>	<u>418,023</u>	<u>1,262,007</u>	<u>588,202</u>
Income (loss) before contributions and transfers	<u>(1,574,994)</u>	<u>565,871</u>	<u>881,345</u>	<u>(127,778)</u>	<u>(577,879)</u>
Capital contributions	258,313	-	1,000	259,313	80,406
Transfers in	-	315,000	-	315,000	-
Transfers out	<u>(163,766)</u>	<u>(130,652)</u>	<u>(22,879)</u>	<u>(317,297)</u>	<u>(72,689)</u>
	<u>94,547</u>	<u>184,348</u>	<u>(21,879)</u>	<u>257,016</u>	<u>7,717</u>
Change in net assets	<u>(1,480,447)</u>	<u>750,219</u>	<u>859,466</u>	<u>129,238</u>	<u>(570,162)</u>
Net assets, beginning	<u>25,309,333</u>	<u>206,456</u>	<u>5,671,547</u>	<u>31,187,336</u>	<u>5,866,767</u>
Net assets, ending	<u>\$ 23,828,886</u>	<u>\$ 956,675</u>	<u>\$ 6,531,013</u>	<u>\$ 31,316,574</u>	<u>\$ 5,296,605</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	
Cash flows from operating activities:					
Cash received from customers, including cash deposits	\$ 16,298,013	\$ 6,008,456	\$ 2,003,602	\$ 24,310,071	\$ 233,666
Interfund services provided and used	(4,257,507)	(1,521,914)	(603,555)	(6,382,976)	4,147,636
Gasoline tax refund	-	-	-	-	31,456
Cash payments to suppliers	(9,750,989)	(1,627,919)	(122,720)	(11,501,628)	(2,173,466)
Claim payments	-	-	-	-	(640,332)
Cash payments to employees	(3,536,215)	(2,235,974)	(589,859)	(6,362,048)	(1,415,193)
Net cash provided (used) by operating activities	<u>(1,246,698)</u>	<u>622,649</u>	<u>687,468</u>	<u>63,419</u>	<u>183,767</u>
Cash flows from non-capital financing activities:					
Repayments on interfund loans	42,712	(63,269)	(19,106)	(39,663)	57,308
Interfund receivables	429,464	411,570	33,796	874,830	221,422
Interfund payables	(37,127)	(25,529)	(773,776)	(836,432)	(1,750,011)
Due from other funds	727,912	-	(3,882)	724,030	-
Due to other funds	103,039	(490,697)	-	(387,658)	-
Due to other government units	5,198	-	(8)	5,190	-
Transfers from other funds	-	315,000	-	315,000	(72,689)
Transfers to other funds	(163,767)	(130,652)	(22,879)	(317,298)	-
Grant proceeds	-	82,701	3,563,651	3,646,352	6,966
Net cash provided (used) by non-capital financing activities	<u>1,107,431</u>	<u>99,124</u>	<u>2,777,796</u>	<u>3,984,351</u>	<u>(1,537,004)</u>
Cash flows from capital and related financing activities:					
Capital contributions	214,431	-	-	214,431	-
Purchase of capital assets	(569,273)	(1,102,693)	(1,024,520)	(2,696,486)	(1,342,886)
Principal payments - bonds	-	-	(185,000)	(185,000)	-
Principal payments received - capital leases	238,584	-	-	238,584	-
Lease proceeds	215,935	1,668,755	-	1,884,690	-
Proceeds from sale of capital assets	27,602	-	17,860	45,462	95,033
Grant proceeds	273,584	-	-	273,584	-
Interest paid	-	-	(257,674)	(257,674)	-
Net cash provided (used) by capital and related financing activities	<u>400,863</u>	<u>566,062</u>	<u>(1,449,334)</u>	<u>(482,409)</u>	<u>(1,247,853)</u>
Cash flows from investing activities:					
Proceeds from sale of investments	250,000	-	-	250,000	3,775,000
Purchase of investments	(250,000)	(200,000)	(941,501)	(1,391,501)	(1,350,000)
Interest received	120,188	11,764	32,942	164,894	158,124
Net cash provided (used) by investing activities	<u>120,188</u>	<u>(188,236)</u>	<u>(908,559)</u>	<u>(976,607)</u>	<u>2,583,124</u>
Net increase (decrease) in cash and cash equivalents	381,784	1,099,599	1,107,371	2,588,754	(17,966)
Cash and cash equivalents, beginning	<u>569,175</u>	<u>298,707</u>	<u>300,030</u>	<u>1,167,912</u>	<u>1,450,454</u>
Cash and cash equivalents, ending	<u>\$ 950,959</u>	<u>\$ 1,398,306</u>	<u>\$ 1,407,401</u>	<u>\$ 3,756,666</u>	<u>\$ 1,432,488</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water and</u>	<u>Solid</u>	<u>Stormwater</u>		<u>Activities-</u>
	<u>Utility</u>	<u>Waste</u>	<u>Utility</u>	<u>Totals</u>	<u>Internal</u>
		<u>Services</u>			<u>Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$(1,996,132)</u>	<u>\$ 143,025</u>	<u>\$ 463,322</u>	<u>\$(1,389,785)</u>	<u>\$ (1,166,081)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,016,122	72,281	256,966	1,345,369	1,022,524
Other income	39,382	22,531	6	61,919	237,106
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Customer accounts receivable	(111,660)	5,432	(9,759)	(115,987)	-
Customer unbilled accounts receivable	(286,491)	(41,920)	(7,460)	(335,871)	-
Miscellaneous receivables	28,153	749	197	29,099	(1,171)
Inventories	21,086	-	-	21,086	3,040
Due from other funds	-	(43,158)	-	(43,158)	(387,857)
Other assets	(1,583)	-	(25)	(1,608)	9,269
Increase (decrease) in:					
Accounts payable	(64,353)	255,939	(27,575)	164,011	(69,812)
Estimated claims payable	-	-	-	-	350,280
Compensated absences	58,657	61,197	9,388	129,242	49,787
Accrued liabilities	6,439	34,084	1,073	41,596	2,603
Accrued payroll deductions	5,699	4,848	1,335	11,882	2,413
Due to other funds	-	107,641	-	107,641	130,714
Due to other government units	-	-	-	-	952
Customer deposits	<u>37,983</u>	<u>-</u>	<u>-</u>	<u>37,983</u>	<u>-</u>
Total adjustments	<u>749,434</u>	<u>479,624</u>	<u>224,146</u>	<u>1,453,204</u>	<u>1,349,848</u>
Net cash provided (used) by operating activities	<u>\$(1,246,698)</u>	<u>\$ 622,649</u>	<u>\$ 687,468</u>	<u>\$ 63,419</u>	<u>\$ 183,767</u>

Non-cash investing, capital and financing activities:

During 2005, the Water and Sewer Utility Fund received contributed assets from developers valued at \$43,882.

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in fair value of investments.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2005

ASSETS

Cash and short-term investments	\$ 5,084,944
Investments, at fair value:	
U.S. Treasury bonds and notes	8,281,665
U.S. Agency obligations	3,898,360
Corporate bonds	15,040,816
Common stock	47,446,460
Total investments	<u>74,667,301</u>
Receivables:	
Plan member contributions	31,272
Miami-Dade County	110,050
CNM Police Share Plan	199,899
Receivable from broker on investments sold	761,505
Accrued interest	288,995
Accrued dividends	49,074
Total receivables	<u>1,440,795</u>
Total assets	<u>81,193,040</u>

LIABILITIES AND NET ASSETS

Accounts payable	102,721
Benefits payable	11,699
Payable to broker for investments purchased	969,747
Total liabilities	<u>1,084,167</u>
Net assets held in trust for pension benefits	<u>\$ 80,108,873</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

ADDITIONS

Contributions:

Employer	\$ 4,397,516
Plan members	1,605,338
County	321,445
Other (including state contributions)	<u>90,827</u>
Total contributions	<u>6,415,126</u>

Investment income:

Net appreciation in fair value of investments	3,595,247
Interest	1,665,925
Dividends	<u>895,249</u>

6,156,421

Less investment expenses	<u>380,382</u>
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Net investment income	<u>5,776,039</u>
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Total additions	<u>12,191,165</u>
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DEDUCTIONS

Benefits paid directly to participants:

Disability retirement	182,905
Death benefit	34,657
Normal retirement	2,342,813
Lump sum retirement	3,299,195
Refunds of contributions	<u>105,479</u>

Total benefits paid	5,965,049
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Administrative expenses	<u>250,529</u>
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Total deductions	<u>6,215,578</u>
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Net increase in net assets	5,975,587
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Net assets, beginning	<u>74,133,286</u>
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Net assets, ending	<u><u>\$80,108,873</u></u>
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See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, Florida (the City), located in Miami-Dade County, was incorporated in 1926. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, solid waste, stormwater management, culture and recreation including library services, community planning and development and water and sewer utility.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statements relating to *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City has one blended component unit. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit

The North Miami Community Redevelopment Agency (CRA) was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The CRA, whose board members are the same as the City Council provides services that exclusively benefit the City. The CRA conducted no financial transactions during the fiscal year ended September 30, 2005 and accordingly has no assets, liabilities, fund balance or financial activity to report.

Discretely Presented Component Unit

The Museum of Contemporary Art, Inc. (MoCA) is a not-for-profit corporation. The City Council has the ability to remove members of the governing board of MoCA for cause. Additionally, MoCA is fiscally dependent on the City. MoCA is presented in a separate column as a governmental fund type in the government-wide financial statements. Complete financial statements for MoCA can be obtained directly from their administrative offices: Museum of Contemporary Art, Inc., 770 N.E. 125th Street, North Miami, Florida 33161.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Other Component Unit

The City of North Miami Health Facilities Authority was created pursuant to state statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated by said facilities and does not constitute an obligation of the City or the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets, liabilities or results of operations to report, no disclosure other than this description is made.

The North Miami Health Facilities Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities, is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from its legally separate component unit (MoCA) for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The City does not currently employ an indirect cost allocation system.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are included. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Landfill Closure Fund* accounts for the costs of remediation and closure of the former Munisport landfill site.

The City reports the following major proprietary funds:

The *Water and Sewer Utility Fund* accounts for the costs of providing water treatment and distribution service, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

The *Solid Waste Services Fund* accounts for the City's sanitation operations inclusive of garbage, trash and recycling. Additionally, it includes animal control, graffiti control and sanitation code enforcement.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Stormwater Utility Fund* accounts for improvements to the City's stormwater systems and pollution from stormwater runoff.

Additionally, the City reports the following fund types:

Internal Service Funds account for the cost of insuring the City in the areas of workers' compensation and general liability risks, group health and life benefits and to provide fleet management services to other departments on a cost reimbursement basis.

The *Pension Trust Funds* (CTS Plan and 748 Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes with the exception of local option fuel taxes and the half-cent transportation surtax. Proceeds from these taxes are used to fund transportation related expenditures and therefore are reported as *program revenues* under the function "highways and streets".

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste services and stormwater utility funds and of the City's internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board Investment Pool. The City also invests in obligations of the U.S. Treasury, consisting primarily of government agency bonds.

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds.

All investments, except the State Board Investment Pool, are reported at fair value. The Investment Pool is recorded at its value of the pool shares (2a-7 like pool), which is fair value.

The nature of investments is governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the Local Government Surplus Funds Trust Fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as "due to/from other funds" (current portion) or "interfund receivables/payables" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories

Inventories consist principally of materials and supplies held for consumption and are recorded at cost for governmental funds and lower of average cost or market for proprietary funds. In the governmental funds, the cost of inventories are recorded as expenditures at the time of purchase, while in the proprietary funds, the cost of inventories are recorded as expenditures when consumed. In the governmental funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

4. Restricted Assets

In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council to finance the cost of certain stormwater capital improvement projects. The loan proceeds are classified as restricted assets on the statement of net assets, they are maintained in a separate bank account and their use is restricted for specific stormwater capital improvement projects. In December 2004, the City received a grant of \$31 million from Miami-Dade County for remediation and closure of the City's former landfill site. These funds were placed in escrow and are restricted for funding the costs of the environmental cleanup.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility lines, roads, bridges, sidewalks, and similar items), regardless of their acquisition date, are reported at cost or estimated historical cost in the applicable governmental or business-type activities columns in the government-wide financial statements. The City, during the fiscal year ended September 30, 2005, retroactively reported all their infrastructure assets that were not previously recorded in the City's books and records. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization thresholds are \$1,000 for equipment and \$5,000 for land, buildings, and infrastructure. The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2005.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	10-50
System infrastructure	5-50
Vehicles, and other outdoor equipment	3-10
Office equipment	5-10
Computer equipment	3-4
Library books	5

6. Compensated Absences

It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, due to employee resignation or retirement.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In addition, the difference between the reacquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to 1) the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. and 2) the estimated liability for remediation and closure of the former Munisport site. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

NOTE 2. DEPOSITS AND INVESTMENTS

In March 2003, the GASB issued Statement No. 40, Deposits and Investment Risks Disclosures (GASB Statement No. 40), which amends GASB No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and addresses additional risks to which governments are exposed. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meets its obligations as they become due.

GASB 40 addresses common deposit and investment risks, related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risk be disclosed, as applicable.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

This statement is effective for financial statements for periods beginning after June 15, 2004, and has been adopted for the fiscal year ended September 30, 2005. The adoption of GASB 40 has resulted in changes to the form and content of the deposit and investment notes to the financial statements and did not have an impact on the City's financial position or results of operations. The following disclosure represents the adoption of GASB 40:

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. Investments are made in accordance with provisions of the Florida Statutes and the City's Bylaws. The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Florida Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Florida Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "BBB" or better by Standard & Poor Corporation or "Baa" or better by Moody's bond ratings.

As of September 30, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA (State Investment Pool)	60 Days	\$ 7,600,000
U.S. Treasury Bills	10/20/2005	3,570,278
U.S. Treasury Notes	1/31/2006	8,961,095
U.S. Treasury Notes	12/31/2006	9,944,885

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

		<u>Maturities</u>		<u>Fair Value</u>
<u>U.S. Government Agencies</u>				
Federal Home Loan Mortgage		2/28/2006		498,280
Federal Home Loan Mortgage		4/28/2006		988,130
Federal Home Loan Mortgage		7/17/2006		737,348
Freddie Mac Medium Term Notes		9/15/2006		<u>982,470</u>
Total investments				33,282,486
Cash and Certificates of Deposit				<u>11,666,692</u>
Total Pooled Cash and Investments				<u>\$44,949,178</u>

	Fair	Less than	1 to 5	6 to 10	More
Pension Investments	Value	1 Year	Years	Years	Than 10
U.S. Treasuries	\$ 8,281,665	\$ -	\$ 3,545,537	\$1,375,722	\$3,360,406
U.S. Agency Obligations	3,898,360	749,766	1,718,212	473,413	956,969
Corporate Bonds	<u>15,040,816</u>	<u>392,996</u>	<u>6,786,844</u>	<u>6,136,342</u>	<u>1,724,634</u>
	<u>\$ 27,220,841</u>	<u>\$ 1,142,762</u>	<u>\$ 12,050,593</u>	<u>\$ 7,985,477</u>	<u>\$ 6,042,009</u>
Total	<u>\$ 72,170,019</u>				

Interest Rate Risk

The City has an investment policy that limits the maturities on individual investments to no more than five years. The investments at September 30, 2005 meet our investment policy restrictions.

Credit Risk

The City has an investment policy that limits investments to the highest ratings by two nationally recognized statistical rating organizations (NRSRO) Standard and Poor's and Moody's Investment Services. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. The City's investment in Federal Home Loan Bank and Freddie Mac were rated AAA by Standard and Poor's and Aaa by Moody's Investor's Service. The City's Pension Plan's corporate bonds and agency bonds were all ranked "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration Credit Risk

The City's investment policy limits its investments to no more than 15% in any one issuer. This includes certificates of deposit, U.S. Federal Agencies, and federal instrumentalities. The maximum limit for total investments vary from 35% to 60%. The City does not have an issuers limit for the State Board of Administration Trust Fund. GASB 40 requires disclosure when the percent is 5% or more in any one issuer. The investments in U.S. Treasury Notes are 43%. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

Risks and Uncertainties

The City's Pension Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

NOTE 3. RECEIVABLES

Receivables as of September 30, 2005 for the City's individual major funds and nonmajor governmental funds, in the aggregate, including the allowances for uncollectible accounts, are as follows:

						Nonmajor	
	General	Landfill	Water and Sewer	Solid Waste	Storm- water	Governmental Funds	Total
Receivables:							
Customer's accounts:							
Billed	\$ -	\$ -	\$ 1,460,133	\$ 449,262	\$ 181,322	\$ -	\$ 2,090,717
Unbilled	-	-	2,089,730	313,186	51,458	-	2,454,374
Property taxes	225,876	-	-	-	-	6,268	232,144
Franchise and utility	796,662	-	-	-	-	-	796,662
Communication services tax	372,121	-	-	-	-	-	372,121
Intergovernmental	1,026,327	-	56,544	290,117	706,832	758,559	2,838,379
Notes	-	-	-	-	-	61,077	61,077
Other	<u>361,128</u>	<u>132,448</u>	<u>208,652</u>	<u>11,030</u>	<u>5,311</u>	<u>47,584</u>	<u>766,153</u>
Gross receivables	2,782,114	132,448	3,815,059	1,063,595	944,923	873,488	9,611,627
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 2,782,114</u>	<u>\$ 132,448</u>	<u>\$ 3,815,059</u>	<u>\$ 1,063,595</u>	<u>\$ 944,923</u>	<u>\$ 873,488</u>	<u>\$ 9,611,627</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. RECEIVABLES (Continued)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental activities and governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Occupational licenses	\$ -	\$ 278,847
Interest rate swap proceeds	-	1,671,814
Notes receivable	61,077	-
Administrative fee	128,246	-
FEMA disaster proceeds	-	47,043
Miscellaneous revenues	6,310	13,140
Total deferred/unearned revenue for governmental activities and governmental funds	<u>\$ 195,633</u>	<u>\$ 2,010,844</u>

NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real and personal property become delinquent on April 1st and bear annual interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2004 upon which the 2004-05 levy was based, was approximately \$1.9 billion. The City is permitted by Article 7, Section 9 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on general obligation long-term debt. In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. For the year ended September 30, 2005, the tax rate to finance General Fund operations was \$8.500 per \$1,000 of assessed value. The debt service tax rate for the same period was \$0.2322 per \$1,000 of assessed value.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. PROPERTY TAXES (Continued)

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$225,876 for the General Fund and \$6,268 for the debt service funds.

NOTE 5. NET INVESTMENT IN SALES-TYPE LEASE

On April 17, 1979, the City entered into a sales-type lease agreement with Miami-Dade Water and Sewer Authority retroactive to May 1978. Under the terms of the lease, the City is receiving payments, which will total \$7,071,438 (including interest) through April 2007, for the use of the City's ocean outfall line.

The lease has been accounted for as a capital (sales-type) lease within the Water and Sewer Enterprise Fund. Interest is imputed at an annual rate of 6.5% over the life of the lease. Proceeds received from the lease agreement are to be used for replacement of water and sewer system assets.

The future minimum lease payments under this agreement are as follows:

Year ending September 30:	
2006	\$ 238,584
2007	<u>122,925</u>
Total	361,509
Less unearned discount	<u>(18,311)</u>
Balance, September 30, 2005	<u><u>\$ 343,198</u></u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of September 30, 2005 consisted of the following:

Due to/from Other Funds

	Due From							
	General	Nonmajor	Water and	Solid	Stormwater	Internal	Fiduciary	
	Fund	Governmental	Sewer	Waste	Utility	Service	Fund	Total
Due to:								
General fund	\$ -	\$ 45,301	\$ -	\$ -	\$ -	\$ 400,756	\$ 25,219	\$ 471,276
Landfill closure	-	-	-	-	-	2,469	-	2,469
Water and sewer	-	-	-	-	-	147,971	-	147,971
Solid waste	-	-	-	-	-	43,158	-	43,158
Stormwater utility	-	-	-	-	-	12,331	-	12,331
Internal service	<u>210,602</u>	<u>9,360</u>	<u>112,321</u>	<u>107,641</u>	<u>9,360</u>	<u>18,720</u>	-	<u>468,004</u>
Total	<u><u>\$ 210,602</u></u>	<u><u>\$ 54,661</u></u>	<u><u>\$ 112,321</u></u>	<u><u>\$ 107,641</u></u>	<u><u>\$ 9,360</u></u>	<u><u>\$ 625,405</u></u>	<u><u>\$ 25,219</u></u>	<u><u>\$ 1,145,209</u></u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Due to/from Other Funds (Continued)

The balance of \$625,405 payable from the Internal Service Fund to the other various funds resulted from excess general liability premiums in the General Risk Management Fund for FY05. The receivable of \$468,004 in the Internal Service Fund represents additional charges to the various funds for workers' compensation premiums necessary to meet the required FY05 funding level.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from Other Funds

		Advance From		
		Water & Sewer	Internal Service	Total
<u>Advance to:</u>				
Solid waste		\$ 171,350	\$ 46,272	\$ 217,622
Stormwater utility		-	76,421	76,421
Total		<u>\$ 171,350</u>	<u>\$ 122,693</u>	<u>\$ 294,043</u>

The balance of \$294,043 represents interfund loans from the Water and Sewer Fund and Fleet Management Fund to the Solid Waste and Stormwater Utility Funds for the purchase of vehicles and equipment. This amount is not expected to be paid within one year.

Interfund Transfers

Interfund transfers for the year ended September 30, 2005, consisted of the following:

		Transfers In			
		General Fund	Nonmajor Governmental	Solid Waste	
<u>Transfers out:</u>					
General fund		\$ -	\$ 834,273	\$ 315,000	\$ 1,149,273
Nonmajor governmental		18,243	7,151	-	25,394
Water and sewer		-	163,766	-	163,766
Solid waste services		-	130,652	-	130,652
Stormwater utility		-	22,879	-	22,879
Internal service		<u>5,857</u>	<u>66,832</u>	<u>-</u>	<u>72,689</u>
Total		<u>\$ 24,100</u>	<u>\$ 1,225,553</u>	<u>\$ 315,000</u>	<u>\$ 1,564,653</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the fiscal year ended September 30, 2005, the Pension Obligation Bond Fund received a transfer of \$1,204,166 from various other funds to meet debt service requirements. This amount is included in the transfer of \$1,225,553 into the Nonmajor Governmental Funds. A transfer of \$315,000 was made from the General Fund to the Solid Waste Services Fund to help defray the cost of code enforcement, animal control and graffiti services accounted for in that fund. Additional transfers include \$18,243 transferred out of the Law Enforcement Trust Fund to the General Fund to fund law enforcement activities, \$14,236 transferred to the E. May Avil Library Building Fund to fund capital improvements, \$7,151 in required matching funds transferred to the Local Law Enforcement Block Grant Fund and \$5,857 transferred out of the Group Health Risk Management Fund to the General Fund for the purpose of providing health insurance premiums for City employees.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

	Beginning Balance, Restated (1)	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 19,139,727	\$ -	\$ -	\$ 19,139,727
Construction in progress	46,474	872,838	-	919,312
Total capital assets, not being depreciated	19,186,201	872,838	-	20,059,039
Capital assets, being depreciated:				
Land improvements	11,896,388	45,721	-	11,942,109
Buildings and improvements	13,952,341	196,215	-	14,148,556
Infrastructure	31,449,056	521,627	-	31,970,683
Machinery and equipment	15,731,712	1,501,834	(1,716,079)	15,517,467
Library books	1,696,017	130,018	(29,538)	1,796,497
Total capital assets, being depreciated	74,725,514	2,395,415	(1,745,617)	75,375,312

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Beginning Balance, <u>Restated (1)</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Governmental activities (Continued):				
Less accumulated depreciation for:				
Land improvements	(8,269,478)	(797,868)	-	(9,067,346)
Buildings and improvements	(4,003,827)	(432,697)	-	(4,436,524)
Infrastructure	(17,341,137)	(845,500)	-	(18,186,637)
Machinery and equipment	(11,542,047)	(1,297,840)	1,711,718	(11,128,169)
Library books	<u>(1,345,356)</u>	<u>(112,175)</u>	<u>29,538</u>	<u>(1,427,993)</u>
Total accumulated depreciation	<u>(42,501,845)</u>	<u>(3,486,080)</u>	<u>1,741,256</u>	<u>(44,246,669)</u>
Total capital assets, being depreciated, net	<u>32,223,669</u>	<u>(1,090,665)</u>	<u>(4,361)</u>	<u>31,128,643</u>
Governmental activities capital assets, net	<u>\$51,409,870</u>	<u>\$ (217,827)</u>	<u>\$ (4,361)</u>	<u>\$51,187,682</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 660,312	\$ -	\$ -	\$ 660,312
Construction in progress	<u>-</u>	<u>295,229</u>	<u>-</u>	<u>295,229</u>
Total capital assets, not being depreciated	<u>660,312</u>	<u>295,229</u>	<u>-</u>	<u>955,541</u>
Capital assets, being depreciated:				
Land improvements	135,883	-	-	135,883
Buildings and improvements	737,299	-	-	737,299
Infrastructure	49,752,573	366,235	-	50,118,808
Machinery and equipment	<u>2,408,317</u>	<u>1,516,240</u>	<u>(1,640)</u>	<u>3,922,917</u>
Total capital assets, being depreciated	<u>53,034,072</u>	<u>1,882,475</u>	<u>(1,640)</u>	<u>54,914,907</u>
Less accumulated depreciation for:				
Land improvements	(72,545)	(3,329)	-	(75,874)
Buildings and improvements	(372,161)	(21,270)	-	(393,431)
Infrastructure	(22,105,481)	(1,078,372)	-	(23,183,853)
Machinery and equipment	<u>(1,369,903)</u>	<u>(242,398)</u>	<u>1,640</u>	<u>(1,610,661)</u>
Total accumulated depreciation	<u>(23,920,090)</u>	<u>(1,345,369)</u>	<u>1,640</u>	<u>(25,263,819)</u>
Total capital assets, being depreciated, net	<u>29,113,982</u>	<u>537,106</u>	<u>-</u>	<u>29,651,088</u>
Business-type activities capital assets, net	<u>\$29,774,294</u>	<u>\$ 832,335</u>	<u>\$ -</u>	<u>\$30,606,629</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Primary Government (Continued)

Depreciation expense was charged as functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 493,324
Public safety	367,873
Highways and streets	436,094
Community planning and development	17,013
Physical environment	723,065
Culture and recreation	<u>426,187</u>
Subtotal	2,463,556
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>1,022,524</u>
Total depreciation expense – governmental activities	<u><u>\$ 3,486,080</u></u>
Business-type activities:	
Water and sewer	\$ 1,016,122
Solid waste	72,281
Stormwater	<u>256,966</u>
Total depreciation expense – business-type activities	<u><u>\$ 1,345,369</u></u>

(1) Includes a prior period adjustment of \$8,468,138 for the retroactive reporting of infrastructure for governmental activities.

NOTE 8. LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Debt payable:					
FMLC loan (general obligation)	\$ 2,780,000	\$ -	\$ (290,000)	\$ 2,490,000	\$ 310,000
Pension obligation bonds-Series 2002	14,475,000	-	(170,000)	14,305,000	175,000
Note payable	1,830,444	-	(980,529)	849,915	849,915
Unamortized bond premiums/ discount and deferred amount on refunding	<u>(2,236,153)</u>	<u>-</u>	<u>134,081</u>	<u>(2,102,072)</u>	<u>-</u>
Total debt payable	<u>16,849,291</u>	<u>-</u>	<u>(1,306,448)</u>	<u>15,542,843</u>	<u>1,334,915</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities (Continued)					
Other liabilities:					
Compensated absences	6,689,240	873,898	(561,320)	7,001,818	73,452
Landfill closure	31,000,000	-	(5,482,489)	25,517,511	2,137,772
Claims payable (risk)	3,015,034	990,612	(640,332)	3,365,314	606,678
Total other liabilities	<u>40,704,274</u>	<u>1,864,510</u>	<u>(6,684,141)</u>	<u>35,884,643</u>	<u>2,817,902</u>
Governmental activities long-term liabilities	<u>\$ 57,553,565</u>	<u>\$ 1,864,510</u>	<u>\$ (7,990,589)</u>	<u>\$ 51,427,486</u>	<u>\$ 4,152,817</u>

Bonds and Note Payable

General Obligation Bonds/Loan

On May 1, 2002, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$3,335,000 with interest rates on the loan ranging from 3.25% to 5.0%. The purpose of the loan was to currently refund \$3,265,000 of outstanding 1992 General Obligation bonds with interest rates ranging from 5.4% to 6.0%. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). Principal and interest due on the loan constitute a general obligation refunding bond, as defined in Section 132.34, Florida Statutes.

The reacquisition price of the refunding debt exceeded the net carrying value of the old debt by \$90,028. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to the life of the refunded debt.

As a result of the current refunding, the City reduced its total debt service requirements by approximately, \$233,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,000.

Principal and interest on the new debt is payable May 1, 2003 through May 1, 2012.

Debt Service Requirements to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>FMLC Loan- (Series 2002A) General Obligation</u>			
Fiscal year ended September 30:			
2006	\$ 310,000	\$ 107,238	\$ 417,238
2007	325,000	91,738	416,738
2008	340,000	78,738	418,738
2009	350,000	65,138	415,138
2010	370,000	51,139	421,139
2011-2012	<u>795,000</u>	<u>56,585</u>	<u>851,585</u>
	2,490,000	450,576	2,940,576
Unamortized premium	52,314	-	52,314
Deferred amount on refunding	<u>(59,268)</u>	<u>-</u>	<u>(59,268)</u>
Total	<u>\$ 2,483,046</u>	<u>\$ 450,576</u>	<u>\$ 2,933,622</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Pension Obligation Bonds

On October 31, 2002, the City issued \$14,735,000 in Taxable Special Obligation Refunding Bonds Series 2002 (variable rate demand bonds) for the purpose of advance refunding \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension Funding Project) Series 1997 with interest rates ranging from 6.6% to 7.35%. After payment of approximately \$422,662 in underwriting fees, insurance, and other issuance costs, the net bond proceeds of approximately \$14,312,338 were used to purchase government securities, which were placed in an irrevocable trust with an escrow agent.

The refunded bonds maturing on or before July 1, 2007 will be paid at maturity and the refunded bonds maturing on or after January 1, 2008, will be called for redemption on July 1, 2007. As a result, the refunded bonds are considered to be defeased and the liability is no longer reflected in the governmental activities column of the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,694,854. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. Simultaneously, the variable rate bonds were converted to a fixed rate through an interest rate swap. As a result of the advance refunding the City incurred an economic loss of approximately \$(2.7 million), which was offset by approximately \$1.9 million in swap proceeds resulting in a net present value loss of approximately \$(800,000). The transaction provided up front monies, extended the final maturity on the debt while maintaining the annual debt service payments under \$1.2 million (the maximum annual debt service on the refunded Series 1997 bonds).

Debt service on these bonds is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis. The scheduled payment of principal and interest on the bonds is guaranteed under an insurance policy obtained concurrently with the delivery of the bonds.

Principal and interest on the new debt is payable July 1, 2003 through July 1, 2032.

Interest Rate Swap

Objective: As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, in October 2002, the City entered into an interest rate swap in connection with its \$14.735 million Series 2002 Taxable Special Obligation Refunding Bond issuance. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.85%.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Interest Rate Swap (Continued)

Terms: Based on the swap agreement, the City pays a synthetic fixed rate of 6.85% to the counterparty to the swap (Bank of America, N.A.) and receives a variable rate payment based on the interest rate applicable to the City's Series 2002 Taxable Special Obligation Bonds during each remarketing period. The bond's variable rate coupons are based on the London Interbank Offering Exchange Rate (LIBOR). Only the net difference in interest payments is actually exchanged with the counterparty on a monthly basis. Additionally, the City received an upfront cash payment of \$1,854,100 from the counterparty to the swap. The bonds and the related swap agreement mature on July 1, 2032 and the swap's notional amount of \$14.735 million matches the \$14.735 million variable rate bonds. As of September 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Percentage Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	6.85
Variable payment from counterparty	LIBOR	<u>(3.68)</u>
Net interest rate swap payments		3.17
Variable-rate bond coupon payments		<u>3.68</u>
Synthetic interest rate on bonds		<u><u>6.85</u></u>

Fair value: As of September 30, 2005, the swap had a negative fair value of \$(3,286,292). The negative fair value was determined using Mark-to-Market Value and represents mid-market values.

Credit risk: As of September 30, 2005, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Bank of America, N.A.) was rated Aa1 by Moody's Investors Service, AA by Standard and Poor's and AA- by Fitch Ratings.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event". That is, the swap agreement may be terminated by the counterparty if (i) the Covered Indenture terminates or ceases to be of full force and effect; or (ii) if the City fails to budget and appropriate from Non-Ad Valorem funds amounts sufficient to satisfy any amounts due the counterparty under the agreement in any fiscal year. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Interest Rate Swap (Continued)

Market access risk: In conjunction with the swap, the City purchased a renewable letter of credit. Expected cost savings related to the swap may not be realized if the credit becomes more costly or cannot be obtained after the original letter of credit expires.

Swap payments and associated debt: Using rates as of September 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows: As rates vary, variable-rate bond interest payments and net swap payments will vary.

Debt Service Requirements to Maturity and Net Swap Payments

2002 Taxable Special Obligation Refunding Bonds (Pension)

	<u>Variable Rate Bonds</u>		(1) Interest Rate	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
Fiscal year ended September 30:				
2006	\$ 175,000	\$ 524,814	\$ 492,639	\$ 1,192,453
2007	190,000	518,236	486,461	1,194,697
2008	205,000	511,106	479,873	1,195,979
2009	225,000	503,378	472,467	1,200,845
2010	240,000	494,960	464,599	1,199,559
2011-2015	1,495,000	2,326,174	2,183,473	6,004,647
2016-2020	2,135,000	2,000,862	1,878,014	6,013,876
2021-2025	3,050,000	1,537,412	1,442,618	6,030,030
2026-2030	4,360,000	874,000	819,554	6,053,554
2031-2032	<u>2,230,000</u>	<u>104,052</u>	<u>97,200</u>	<u>2,431,252</u>
	14,305,000	9,394,994	8,816,898	32,516,892
Deferred amount on refunding	<u>(2,095,118)</u>	<u>-</u>	<u>-</u>	<u>(2,095,118)</u>
Total	<u>\$ 12,209,882</u>	<u>\$ 9,394,994</u>	<u>\$ 8,816,898</u>	<u>\$ 30,421,774</u>

(1) Computed: (6.85% less 3.68%) times notional amount outstanding. Includes liquidity and remarketing fees.

Note Payable

On August 23, 2000, the City issued a promissory note (Series 2000A) in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at, and closure of, the City's Munisport landfill site (Interama). Under the loan agreement, the City will draw funds as needed and will pay interest on the outstanding principal. Interest rates are variable and are 78% of the LIBOR rate. As of September 30, 2005, the City has received, pursuant to the note, the sum of \$4,700,000. As of September 30, 2005 the principal amount outstanding on the note is \$849,915.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Note Payable (Continued)

Debt Service Requirement to Maturity

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Notes Payable-(Series 2000A)</u>			
Fiscal year ended September 30:			
2006	<u>\$ 849,915</u>	<u>\$ 20,792</u>	<u>\$ 870,707</u>

Other Liabilities

Compensated Absences

Compensated absences represent the portion of the applicable funds total estimated liability for employees' compensation for future absences. The estimated liability includes an accrual for salary related costs (employer's share of social security and Medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions.

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 50%. The General Fund has primarily been used in prior years to liquidate the liability for compensated absences.

Business-type Activities

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Debt payable:					
FMLC loan (stormwater)	\$ 5,180,000	\$ -	\$ (185,000)	\$ 4,995,000	\$ 195,000
Capital lease obligations	-	1,884,690	(67,769)	1,816,921	288,019
Unamortized bond premiums and discount	<u>226,064</u>	<u>6,616</u>	<u>(19,914)</u>	<u>212,766</u>	<u>-</u>
Total debt payable	5,406,064	1,891,306	(272,683)	7,024,687	483,019
Other liabilities:					
Compensated absences	1,602,716	213,757	(84,515)	1,731,958	25,000
Business-type activities long-term liabilities	<u>\$ 7,008,780</u>	<u>\$ 2,105,063</u>	<u>\$ (357,198)</u>	<u>\$ 8,756,645</u>	<u>\$ 508,019</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Loan Payable

Stormwater Utility Loan

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan is to finance the cost of certain stormwater capital improvement projects. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A).

The FMLC-Series 2001A bonds were issued at a premium (104.796%) and after payment of approximately \$105,744 in underwriting fees, insurance and other issuance costs, the net loan proceeds of approximately \$5,705,214 were deposited into the Stormwater Utility Fund and are being drawn down as the project progresses. This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax-exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax-exempt debt to the extent that such income results from investment yield in excess of the bond yield. As a result of continued low interest rates, at September 30, 2005, the City did not have an arbitrage liability.

Debt Service Requirements to Maturity

Principal and interest on the new debt is payable May 1, 2002 through November 1, 2021.

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2005:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
FMLC Loan-Series 2001A, 11/1/2021	3.25%-5.25%	\$4,995,000
Less current portion		(195,000)
Unamortized Premium		212,766
Long-term portion		<u>\$5,012,766</u>

<u>FMLC Loan - 2001A</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2006	\$ 195,000	\$ 244,137	\$ 439,137
2007	205,000	235,138	440,138
2008	210,000	225,800	435,800
2009	220,000	215,575	435,575
2010	235,000	204,200	439,200
2011-2015	1,355,000	827,806	2,182,806
2016-2020	1,745,000	426,682	2,171,682
2021	830,000	39,900	869,900
	4,995,000	2,419,238	7,414,238
Unamortized premium	<u>212,766</u>	<u>-</u>	<u>212,766</u>
Total	<u>\$5,207,766</u>	<u>\$2,419,238</u>	<u>\$7,627,004</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Capital Leases

The City has entered into a master lease purchase agreement as lessee for financing the acquisition of vehicles and equipment in the Water and Sewer, and Solid Waste Funds. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date.

The fair value of assets acquired through capital leases are as follows:

	Business-type <u>Activities</u>
Assets:	
Machinery and equipment	\$ 1,318,945
Cash received under master lease agreement for purchase of leased assets	<u>565,745</u>
	<u><u>\$ 1,884,690</u></u>

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2005 are as follows:

	Business-type <u>Activities</u>
Fiscal year ending September 30:	
2006	\$ 306,667
2007	306,667
2008	306,667
2009	306,667
2010	306,667
2011-2012	<u>526,809</u>
Total minimum lease payments	2,060,144
Less amount representing interest	<u>(243,223)</u>
Present value of net minimum lease payments	<u><u>\$ 1,816,921</u></u>

NOTE 9. SELF-INSURANCE

The City maintains a self-insurance program accounted for in the internal service funds. The General Risk Management Fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for workers' compensation and general liability for fiscal year 2005 is based on recommended funding requirements for fiscal year 2005 as determined by a self-insurance actuarial review as of September 30, 2005 performed by outside consultants. The City uses a confidence level of 75% for the total estimated liability.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. SELF-INSURANCE (Continued)

The City is exposed to various risks of loss for workers' compensation and general liability. The City is exposed to other various risks of loss, related to theft, errors and omissions, for which the City carries commercial insurance.

As of September 30, 2005, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage after Retention/Deductible</u>
Self-Insured:		
Workers' Compensation	Self –insured retention of \$350,000	Excess worker's compensation Part I – Statutory Part II-\$1,000,000 (employers liability)
General liability (includes automobile)	Fully self-insured	F.S. 768.28 (\$100,000/individual, \$200,000/occurrence)
Commercial Insurance:		
Property:		
Property, multi-peril	\$5,000	\$28,324,131
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$0 to \$1,000 varies according to facility	Buildings: \$25,000 to \$500,000 Contents: \$ 0 to \$ 200,000 varies according to facility
Other:		
Police professional liability	\$25,000/claim No annual aggregate	\$2,000,000 each wrongful act and aggregate
Public officials' liability	\$100,000 EPLI/wrongful act	\$1,000,000/loss and aggregate.

The General Risk Management Internal Service Fund consists of the following:

Workers' Compensation

All workers' compensation costs are paid from the self-insurance fund, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

General Liability

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. SELF-INSURANCE (Continued)

Estimated Claims Liability

The estimated claims liability of \$3,365,314 in the General Risk Management Fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the estimated claims liability are as follows:

			<u>2005</u> General Risk Total	<u>2004</u> General Risk
	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>		
Estimated claims liability at beginning of year	\$ 1,662,107	\$ 1,352,927	\$ 3,015,034	\$ 4,735,181
Current year claims and changes in estimates (including IBNR)	891,478	99,134	990,612	(950,608)
Claim payments	<u>(512,472)</u>	<u>(127,860)</u>	<u>(640,332)</u>	<u>(769,539)</u>
Estimated claims liability at end of year	<u>\$ 2,041,113</u>	<u>\$ 1,324,201</u>	<u>\$ 3,365,314</u>	<u>\$ 3,015,034</u>

Beginning in 2005, the City obtained specific excess Workers' Compensation insurance to secure statutory worker's compensation coverage in excess of the self-insured retention. In 2005, there were no significant reductions in insurance coverage from coverage in the prior year. During the past three years, there have been no settlements that exceeded insurance coverage.

Group Health Risk Management Internal Service Fund

Group Health

Effective January 1, 1998, the City's self-insured health program was discontinued and the City purchased a fully insured group health/dental plan. Beginning in fiscal year 2000, remaining funds in the Health Insurance Trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds is being amortized over a five-year period ending with the fiscal year ended September 30, 2005.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS

I. Pension Plans Administered by the City of North Miami

a. Plan Descriptions

The City's Public Employee Retirement Systems (PERS) administers two single-employer defined benefit pension plans established to provide pension, disability and death benefits for its employees and beneficiaries: Clair T. Singerman Employees' Retirement System (CTS Plan) and the North Miami Police Pension Plan (formerly known as the Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 -748 Plan). The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan. The Plans cover substantially all City employees under the administration of separate Boards of Trustees.

On April 3, 1994, the City transferred all general employees which were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

Each of the Plans issue a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125th Street, North Miami, Florida 33161.

Contributions and Funding Policy

North Miami Police Pension Plan (748)

From October 1, 2004 through January 8, 2005, employees contributed 4.85% of their base salaries or wages. Effective with the week ending on January 8, 2005, the employee contribution rate increased from 4.85% to 6.85%. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was 3% and 2% for 2005 and 2004, respectively. Employer contributions for fiscal year ended September 30, 2005 were 19.44% of covered payroll.

CTS Plan

Employees contribute 7% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year end. The interest rate, determined by the Board of Trustees, was 3% and 2% in 2005 and 2004, respectively. Employer contributions for fiscal year ended September 30, 2005 were 22.63% of covered payroll.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

a. Plan Descriptions (Continued)

Contributions and Funding Policy (Continued)

Both Plans' funding policies provide for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are reported as earned.

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset of the CTS Plan for the current year is as follows:

Annual required contribution		\$ 3,515,204
Interest on net pension asset		(721,468)
Adjustment to annual required contribution		<u>1,116,899</u>
Annual pension cost		3,910,635
Contributions made		<u>3,515,204</u>
Decrease in net pension asset		(395,431)
Net pension asset, beginning of year		<u>8,016,315</u>
Net pension asset, end of year		<u>\$ 7,620,884</u>

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

The annual required contribution for the current year was determined as part of the October 1, 2003 actuarial valuation (using the October 1, 2004 covered payroll) and the entry age actuarial cost method for the firefighters and the aggregate actuarial cost method for the general employees and police. The aggregate actuarial cost method does not identify and separately amortize the unfunded actuarial liabilities. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) up to retirement; 7% thereafter, and (b) projected salary increases of 6% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 3 years.

Clair T. Singerman Employees Retirement System Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2003*	\$ 1,520	71.4%	\$ 8,433
September 30, 2004	2,974	86.0%	8,016
September 30, 2005	3,911	89.9%	7,621

*Restated

The City's annual pension cost and net pension asset of the North Miami Police Pension Plan (748 Plan) for the current year is as follows:

Annual required contribution	\$ 1,269,887
Interest on net pension asset	(41,264)
Adjustment to annual required contribution	70,481
Annual pension cost	1,299,104
Contributions made	1,269,887
Decrease in net pension asset	(29,217)
Net pension asset, beginning of year	458,494
Net pension asset, end of year	\$ 429,277

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

I. Pension Plans Administered by the City of North Miami (Continued)

b. Summary of Significant Accounting Policies (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

The annual required contribution for the current year was determined as part of the October 1, 2003 actuarial valuation (using the October 1, 2004 covered payroll). The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) up to retirement; 7% thereafter, and (b) projected salary increases of 4% to 9.4% per year depending on service. Both (a) and (b) include an inflation component of 4%. The actuarial value of assets was determined using the 5-year smoothed market method. The Plan uses the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities.

North Miami Police Pension Plan (748 Plan) Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2003	\$ 366	90.8%	\$ 492
September 30, 2004	979	96.6%	458
September 30, 2005	1,299	97.8%	429

II. Pension Plan administered by the State of Florida

a. Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida legislature. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the basis of service credit, average final compensation, and the percentage value earned for each year of service credit. The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Copies of the report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

II. Pension Plan administered by the State of Florida (Continued)

a. Plan Description (Continued)

Contributions and Funding Policy

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial cost method. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The contribution rate for FY05 was 15.23% of covered payroll. The City's contribution to the State of Florida Retirement System (Elected Officers' Class) for the fiscal year ending September 30, 2005 was \$4,443 and was equal to the required contribution for the year. The Plan is non-contributory on the part of the members.

NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized revenues and expenditures in the amount of \$238,414 as on behalf payments for contributions of these premiums into the Plan.

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N.E. 124th Street, North Miami, Florida 33161.

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 403(a) defined contribution pension plan for department managers. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2005, the City contributed approximately \$87,430 into this Plan, which is administered through a third party administrator.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama)

(i) Historical Background

In 1970, the City acquired 350 acres of land (n/k/a Biscayne Landing), for approximately \$11,800,000, from the proceeds of \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama never repaid the City for the bond proceeds.

The City subsequently entered into a 30-year lease agreement with a company formed to develop a recreation project on the Interama land. The company subsequently operated a portion of the property as a dumpsite, and the property became the subject of controversy arising principally from site related environmental issues involving the City, the company, various governmental agencies and others, which controversy has restricted its use and development. Accordingly, the recreation project was never completed and the company abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (n/k/a FDEP) filed a suit against the City to close the portion of the land, which was operated as a dumpsite (landfill). The landfill has not operated since 1980 and the City, State and DERM have worked together to produce a closure plan, pursuant to a Consent Agreement.

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance.

(ii) Recent Studies and Developments

During 2000, the City issued a promissory note in the principal amount of not to exceed \$9,500,000 to finance the cost of environmental remediation at and closure of the City's landfill site. To date, the City has received, pursuant to the Note, the sum of \$4,700,000. As of September 30, 2005 the principal amount outstanding on the note is \$849,915.

In December 2002, the City entered into a Development Agreement for the site. Although the developer has assumed responsibility for the cleanup, the City is ultimately liable for remediation and closure of the site. A Remediation and Landfill Closure Cost Projection completed in 2003, estimates the cost of remediation and closure at a range of between \$31 million to \$43 million. This liability is funded through a grant from Miami-Dade County to the City in the amount of \$31 million for remediation and closure. These grant funds were received in December 2004, and placed in escrow to be used for funding the costs of the environmental cleanup.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. CONTINGENCIES (Continued)

a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

(ii) Recent Studies and Developments (Continued)

During 2005, the City incurred approximately \$6.1 million in site closure costs, which are reflected in the Landfill Closure Fund. Accordingly, in 2005, the City has reflected in the financial statements an estimated liability of \$25.5 million.

In addition to the remediation and closure of the site, it is estimated that long-term closure care costs will be approximately between \$200,000 and \$500,000/year over 30 years, for a projected total cost of \$6-\$15 million. The condominium homeowners' associations for the development will be responsible for financing the long-term care costs via special assessments on the units. Since there is only a remote possibility that the City will incur any costs associated with the long-term care, disclosure of these costs is being made in the notes and has not been reflected in the financial statements.

(iii) Overall Outlook

The agreement contemplates the development of the site with the City receiving income from sales of units and from an annual ground lease (see Note 15). It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site will be offset by the future use of the land.

b. Other

The City is a defendant in several additional lawsuits as of September 30, 2005, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

c. Contingent Liabilities

Federal and State programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, the U.S. Office of Management and Budget Circular A-133, the Florida Single Audit Act and the Rules of the Auditor General, Chapter 10.550. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

In addition to pension benefits described in Notes 10 and 11, the City offers post retirement health care and group term life insurance benefits to all retirees who elect to pay the associated premiums and receive the benefits. Retirees can insure eligible dependents. The premium cost is paid entirely by the retirees and is at the same group rate as that charged to City employees. In fiscal year 2005, there were approximately 49 health and dental retiree members and approximately 104 life insurance members.

In accordance with the October 1, 1994 Police Bargaining Agreement between the City of North Miami and the Dade County Police Benevolent Association, the City pays the full cost of health insurance premiums for children and minor dependents of officers killed in the line of duty, provided they were covered by the City's health insurance plan at the time of the officer's death. The coverage continues until such children/minor dependents attain the age of 18 or the age of 25 for full-time students. Currently, 3 children/minor dependents meet those eligibility requirements.

In fiscal year 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Nine employees took advantage of this incentive. The annual budget includes premiums for this group of employees and for children/minor dependents of officers killed in the line of duty. Fiscal year 2005 expenditures for these benefits totaled \$100,464 and \$20,407, respectively.

Since October 1, 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of two complete terms of office and their tenure as an elected official commenced after May 1, 1991.

In addition, since October 2000, the City provides paid group health insurance premiums for any former member of the Administrative Staff who has completed ten years or more of satisfactory service to the City in an administrative position or has completed 25 years or more of satisfactory service with the City.

NOTE 14. NON-COMMITMENT DEBT

Health Care Facilities Revenue Bonds

In November 1998, the City issued \$25,040,000 in Health Care Facilities Revenue Bonds to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation for the purpose of currently refunding the \$20,515,000 principal amount outstanding of City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1992 and to provide financing for the cost of certain additional capital improvements to the health care facility. The Imperial Club is an independent elderly living facility located within the geographic boundaries of the County. The City has recorded a receivable of \$201,777 for the annual administrative fees.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 14. NON-COMMITMENT DEBT (Continued)

Educational Facilities Revenue Bonds

In November 1999, the City issued \$6,000,000 in Educational Facilities Revenue Bonds to provide financial assistance to Miami Country Day School, Inc., a not-for-profit corporation, for the cost of construction improvements, additions, and renovations to an educational facility, known as Miami Country Day School. In 2005, the City received an annual administrative fee of \$5,050.

In March 2003, the City issued \$24,485,000 in Educational Facilities Revenue Refunding Bonds (Johnson & Wales University Project) Series 2003A, to refund and defease \$23,640,000 in outstanding City of North Miami Educational Facilities Revenue Bonds-Series 1994A and to pay certain other expenses incurred in connection with the issuance of the 2003A Bonds and the refunding and defeasance of the 1994A Bonds. Johnson & Wales University owns and operates a campus located within the geographic limits of the City of North Miami. In 2005, the City received an annual administrative fee in the amount of \$23,765.

Debt Outstanding

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding as of September 30, 2005 was \$24,620,000, \$4,800,000 and \$23,220,000 respectively.

NOTE 15. BISCAYNE LANDING LEASE

In December 2002, a Development Agreement was executed for the former Munisport site (Biscayne Landing). The agreement contemplates development of the site with the City receiving income from the sale of units, and from an annual ground lease. The agreement calls for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. The lease agreement, executed in October 2004, provides for annual lease income directly to the City, which together with additional rents from the sale of each housing unit, will assist the City in current and future budget planning and provide new revenue streams for the General Fund. The development program for Biscayne Landing anticipates building approximately 5,500 housing units over a 10-year period. Design, marketing, and construction have begun for the first 373 units of housing. The Development Agreement provides for the City to receive a base rent of \$750.00 per unit per year once a building permit is issued, increasing to \$1,500 per unit per year, upon issuance of a certificate of occupancy, and continuing for the length of the lease. Additional rents include 4% from the net sales revenue of the units at an expected net sales price of \$167 million for the 373 units and bifurcated lease payments of \$100,000 per phase. The value of the lease will be recorded as units are completed.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 15. BISCAYNE LANDING LEASE (Continued)

In addition, the Munisport Development Agreement provides for both on-site improvements on the Biscayne Landing site, and off-site improvements in other areas of the City, including but not limited to, affordable housing, an Olympic training facility, and a new City library. Groundbreaking on the Biscayne Landing Project occurred in June 2005. The first two towers were issued building permits in November 2005 for 373 units. The City anticipates approximately \$783,000 in base rents and bifurcated lease payments through December 2006.

NOTE 16. SUBSEQUENT EVENTS

On October 24, 2005, Hurricane Wilma struck South Florida causing widespread damage and destruction. The severity of the damages and losses resulted in a Federal Disaster declaration by the President of the United States for counties in the affected area. This allowed for 75% of eligible federal public assistance costs, plus 12.5% from the State of Florida. The City of North Miami applied for and was approved by the Federal Emergency Management Agency (FEMA) for federal assistance. The estimated amount eligible for reimbursement from FEMA is \$6.6 million.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes:				
Property taxes	\$ 15,644,500	\$ 15,644,500	\$ 15,504,316	\$ (140,184)
Sales and use taxes	837,888	837,888	894,061	56,173
Franchise fees	2,623,808	2,623,808	3,140,507	516,699
Utility service taxes	2,473,952	2,473,952	2,428,733	(45,219)
Communication services tax	1,634,926	1,634,926	1,953,438	318,512
	<u>23,215,074</u>	<u>23,215,074</u>	<u>23,921,055</u>	<u>705,981</u>
Licenses and permits:				
Business licenses and permits	508,900	508,900	511,250	2,350
Construction permits	983,750	983,750	1,150,223	166,473
	<u>1,492,650</u>	<u>1,492,650</u>	<u>1,661,473</u>	<u>168,823</u>
Intergovernmental:				
State revenue sharing	1,639,949	1,639,949	2,093,359	453,410
Grants	1,089,477	1,281,892	1,172,241	(109,651)
Other state and local revenues	3,467,121	3,467,121	3,834,567	367,446
	<u>6,196,547</u>	<u>6,388,962</u>	<u>7,100,167</u>	<u>711,205</u>
Charges for services:				
Public safety	11,000	11,000	15,984	4,984
Culture/recreation	372,614	372,614	396,238	23,624
Internal charges	5,374,401	5,374,401	5,374,401	-
Other	205,553	205,553	242,836	37,283
	<u>5,963,568</u>	<u>5,963,568</u>	<u>6,029,459</u>	<u>65,891</u>
Fines and forfeitures	<u>799,790</u>	<u>799,790</u>	<u>330,764</u>	<u>(469,026)</u>
Other:				
Interest	82,363	82,363	210,312	127,949
Other	592,462	597,042	434,799	(162,243)
	<u>674,825</u>	<u>679,405</u>	<u>645,111</u>	<u>(34,294)</u>
Total revenues	<u>\$ 38,342,454</u>	<u>\$ 38,539,449</u>	<u>\$ 39,688,029</u>	<u>\$ 1,148,580</u>

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts (1)</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures:				
Current:				
General Government:				
Mayor and council	\$ 244,799	\$ 243,387	\$ 240,922	\$ 2,465
City manager	1,301,228	1,301,427	1,301,427	-
City clerk	319,991	319,991	282,088	37,903
Finance	1,845,762	1,825,974	1,703,162	122,812
Legal	697,464	775,107	775,107	-
Personnel	600,139	600,139	489,852	110,287
Administrative services	845,688	766,939	755,294	11,645
Non-departmental:				
Intragovernment charges for insurance	3,693,763	3,541,829	3,259,568	282,261
Employee benefits	5,888,301	5,956,647	5,680,013	276,634
Other	932,891	932,375	292,164	640,211
Total general government	<u>16,370,026</u>	<u>16,263,815</u>	<u>14,779,597</u>	<u>1,484,218</u>
Public works	2,560,557	2,545,973	2,455,865	90,108
Public safety	12,458,822	12,468,708	12,453,900	14,808
Parks and recreation	5,345,664	5,319,559	4,840,806	478,753
Library	678,392	679,116	626,679	52,437
Museum	528,012	502,252	500,002	2,250
Community planning and development	1,740,119	1,741,226	1,454,728	286,498
Grant/aids	312,748	302,999	273,810	29,189
Capital outlay	807,977	1,175,664	893,319	282,345
Total expenditures	<u>40,802,317</u>	<u>40,999,312</u>	<u>38,278,706</u>	<u>2,720,606</u>
Excess (deficiency) of revenues over expenditures	<u>(2,459,863)</u>	<u>(2,459,863)</u>	<u>1,409,323</u>	<u>3,869,186</u>
Other financing sources (uses):				
Transfers in	123,983	123,983	24,100	(99,883)
Transfers out	<u>(1,150,681)</u>	<u>(1,150,681)</u>	<u>(1,149,273)</u>	<u>1,408</u>
Total other financing sources	<u>(1,026,698)</u>	<u>(1,026,698)</u>	<u>(1,125,173)</u>	<u>(98,475)</u>
Net change in fund balance	<u>\$ (3,486,561)</u>	<u>\$ (3,486,561)</u>	<u>\$ 284,150</u>	<u>\$ 3,770,711</u>
Appropriated beginning fund balance	<u>\$ 3,911,161</u>	<u>\$ 3,911,161</u>		

(1) \$424,600 budgeted as reserve for employee benefits

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE LANDFILL CLOSURE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	(1) <u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 31,027,000	\$ 31,027,000	\$ 31,027,000	\$ -
Other (including interest)	<u>1,390,405</u>	<u>1,390,405</u>	<u>1,585,422</u>	<u>195,017</u>
Total revenues	<u>32,417,405</u>	<u>32,417,405</u>	<u>32,612,422</u>	<u>195,017</u>
Expenditures:				
Current:				
Physical environment	8,488	10,008,488	6,102,114	3,906,374
Capital outlay	<u>10,000,000</u>	-	-	-
Debt service:				
Principal retirement	985,416	980,671	980,529	142
Interest and fiscal charges	<u>14,584</u>	<u>19,329</u>	<u>19,329</u>	<u>-</u>
Total expenditures	<u>11,008,488</u>	<u>11,008,488</u>	<u>7,101,972</u>	<u>3,906,516</u>
Net change in fund balance	<u>\$ 21,408,917</u>	<u>\$ 21,408,917</u>	<u>\$ 25,510,450</u>	<u>\$ 4,101,533</u>
Appropriated beginning fund balance	<u>\$ 171,000</u>	<u>\$ 171,000</u>		

(1) \$21,579,917 budgeted as reserve for debt repayment and future appropriation.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances in the General Fund, Landfill Closure Fund and for all other governmental funds (nonmajor funds). Additionally, interfund loans between funds are budgeted as operating transfers.

- (1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. The Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2005. There was \$196,995 of supplemental appropriations in the General Fund during the year ended September 30, 2005.
- (6) Unencumbered appropriations lapse at year end.

NOTE 2. RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

The following adjustments were necessary to present the actual data on a budgetary basis at September 30, 2005:

	General Fund	Landfill Closure Fund
Net change in fund balance - GAAP	\$ 384,351	\$ 25,510,450
September 30, 2004 encumbrances budgeted as 2004 expenditures	493,050	-
September 30, 2005 encumbrances budgeted as 2005 expenditures	<u>(593,251)</u>	<u>-</u>
Net change in fund balance - budgetary basis	<u>\$ 284,150</u>	<u>\$ 25,510,450</u>

CITY OF NORTH MIAMI, FLORIDA
CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry <u>Age (b)</u>	Unfunded AAL (UAAL) (1) <u>(b-a)</u>	Funded Ratio <u>(a÷b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)÷c)</u>
October 1, 1999	\$ 58,875,802	\$ 56,780,548	\$ (2,095,254)	103.7%	\$ 14,139,623	(14.8%)
October 1, 2001	62,110,336	59,943,465	(2,166,871)	103.6%	14,453,082	(15.0%)
October 1, 2002	55,291,559	62,380,560	7,089,001	88.6%	15,421,323	46.0%
October 1, 2003	53,926,829	64,432,281	10,505,452	83.7%	15,530,805	67.6%
October 1, 2004	54,227,261	67,485,625	13,258,364	80.4%	15,886,989	83.5%

COMBINING FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT – This fund is used to account for expenditures of federal funds to provide decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

BISCAYNE BOULEVARD IMPROVEMENT – This fund is used to account for miscellaneous revenues from code violations, impact fees and miscellaneous billings that are restricted to expenditures for specific current operating purposes.

LANDFILL CLOSURE – This fund is used to account for monies required to close the Munisport site (Interama).

POLICE TRAINING – This fund is used to account for expenditures of state police training funds on behalf of the City of North Miami police officer training.

LOCAL HOUSING ASSISTANCE (SHIP) – This fund is used to account for state funds provided for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing and to increase housing-related employment.

HOME INVESTMENT PARTNERSHIP– This fund was created to account for expenditures of federal funds to expand safe, decent, and affordable housing opportunities to low and very-low income households. This fund had no revenues or expenditures in fiscal year 2004 and is presented on a budgetary basis only.

MULTI-FAMILY REHAB LOAN – This fund was created to account for proceeds to be received from Miami-Dade County's 2002 Surtax monies to be utilized in the City's Multi-Family Housing Rehabilitation Program. There was no activity in this fund during 2004 and it is presented on a budgetary basis only.

HALF-CENT TRANSPORTATION SURTAX – This fund is used to account for the City's prorated share of the Charter County Transit System Surtax proceeds. The monies received can be used toward projects and programs such as public transportation operations and maintenance, roadway and right-of-way maintenance and equipment, street lighting, and transit system enhancements.

DOWNTOWN INCENTIVES – This fund was created to provide grants for capital expenditures for eligible businesses and to assist new eligible businesses with rental agreement commitments.

LAW ENFORCEMENT – This fund is used to account for confiscated monies awarded to the City under State Statutes to be used for law enforcement related expenditures.

FEDERAL FORFEITURE – This fund is used to account for confiscated monies that involve the City's Police department and federal agencies.

LAW ENFORCEMENT BLOCK GRANT – This fund is used to account for the City's entitlement under the local law enforcement block grant program.

DEBT SERVICE FUNDS

The **DEBT SERVICE FUNDS** are used to account for the accumulation of resources and payment of general obligation loan principal and interest from governmental resources and special obligation bond principal and interest when the government is obligated in some manner for the payment.

FMLC LOAN (GENERAL OBLIGATION) – This fund is used to account for monies for payment of principal, interest, and other costs related to the loan agreement with the Florida Municipal Loan Council. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A) and used to currently refund the 1992 General Obligation bond issuance. Debt service is financed primarily by ad valorem taxes.

TAXABLE SPECIAL OBLIGATION REFUNDING BONDS – SERIES 2002 (PENSION OBLIGATION BONDS) – This fund is used to account for monies for payment of principal, interest and other costs related to the Series 2002 Taxable Special Obligation Refunding Bonds issuance. The bonds were issued for the purpose of advance refunding outstanding Taxable Special Obligation Bonds Series 1997 (pension funding project). Debt service is financed by non-ad valorem funds budgeted and appropriated by the City on an annual basis.

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

SAFE NEIGHBORHOOD PARKS – This fund is used to account for the receipt and expenditure of funds from the County's parks bond issuance.

CITY OF PROGRESS CAPITAL IMPROVEMENT – This fund is used to account for expenditures related to miscellaneous capital projects.

E. MAY AVIL LIBRARY – This fund was established to account for expenditures for library renovation and expansion.

TRANSPORTATION GAS TAX – This fund is used to account for expenditures for implementing transportation related capital improvements. The local option gas tax is a county imposed tax, collected by the State of Florida, and distributed back to counties and municipalities based on the interlocal agreement in effect for that year.

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	Special Revenue										Total
	HOME Investmen Partnershi	CDBG Entitlement	Biscayne Boulevard Improvement	Police Trainin	Local Housing Assistance (SHIP)	Downtown Incentives	Law Enforcement	Federal Forfeiture	Law Enforcement Block Grant	Half Cent Transportation Surtax	
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ 6,199	\$ 7,267	\$ 453,371	\$ 6,023	\$ 21,985	\$ 669	\$ 4,769	\$ 600,746	\$ 1,101,029
Investments	-	-	-	-	250,000	-	150,000	-	-	2,400,000	2,800,000
Receivables	4,813	110,426	-	-	47,332	-	312	-	295	481,654	644,832
Assets held for resale	-	-	-	-	-	-	-	10,000	-	-	10,000
Other assets	-	-	-	-	-	-	2,995	-	-	-	2,995
Total assets	<u>\$ 4,813</u>	<u>\$ 110,426</u>	<u>\$ 6,199</u>	<u>\$ 7,267</u>	<u>\$ 750,703</u>	<u>\$ 6,023</u>	<u>\$ 175,292</u>	<u>\$ 10,669</u>	<u>\$ 5,064</u>	<u>\$ 3,482,400</u>	<u>\$ 4,558,856</u>
 <u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable and accrued liabilities	\$ 1,163	\$ 32,221	\$ -	\$ -	\$ 10,820	\$ -	\$ 2,804	\$ -	\$ 468	\$ 483,569	\$ 531,045
Contracts payable - retainage	-	1,830	-	-	-	-	-	-	-	66,359	68,189
Due to other funds	3,650	15,298	-	-	-	-	-	-	-	4,680	23,628
Due to other governmental units	-	-	-	-	-	-	-	105	8	-	113
Deferred revenue	-	61,077	-	-	-	-	-	6,310	-	-	67,387
Total liabilities	<u>4,813</u>	<u>110,426</u>	<u>-</u>	<u>-</u>	<u>10,820</u>	<u>-</u>	<u>2,804</u>	<u>6,415</u>	<u>476</u>	<u>554,608</u>	<u>690,362</u>
Fund balances:											
Reserved for encumbrances	-	-	-	-	-	-	283	-	5,200	351,357	356,840
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	6,199	7,267	739,883	6,023	172,205	4,254	(612)	2,576,435	3,511,654
Total fund balances	<u>-</u>	<u>-</u>	<u>6,199</u>	<u>7,267</u>	<u>739,883</u>	<u>6,023</u>	<u>172,488</u>	<u>4,254</u>	<u>4,588</u>	<u>2,927,792</u>	<u>3,868,494</u>
Total liabilities and fund balances	<u>\$ 4,813</u>	<u>\$ 110,426</u>	<u>\$ 6,199</u>	<u>\$ 7,267</u>	<u>\$ 750,703</u>	<u>\$ 6,023</u>	<u>\$ 175,292</u>	<u>\$ 10,669</u>	<u>\$ 5,064</u>	<u>\$ 3,482,400</u>	<u>\$ 4,558,856</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>Debt Service</u>			<u>Capital Projects</u>				<u>Total</u>	
	FMLC-Loan General Obligation	Pension Obligation Bonds	Total	City of Progress Capital Improvement	Transportation Gas Tax	Safe Neighborhood Parks	E. May Avil Library	Total	Total Nonmajor Governmental Funds
<u>ASSETS</u>									
Cash and cash equivalents	\$ 2,169	\$ 49,988	\$ 52,157	\$ 86,866	\$ 245,243	\$ -	\$ 17,234	\$ 349,343	\$ 1,502,529
Investments	-	-	-	425,000	600,000	-	-	1,025,000	3,825,000
Receivables	6,268	-	6,268	1,763	58,185	-	-	59,948	711,048
Assets held for resale	-	-	-	-	-	-	-	-	10,000
Other assets	-	-	-	-	-	-	-	-	2,995
Total assets	<u>\$ 8,437</u>	<u>\$ 49,988</u>	<u>\$ 58,425</u>	<u>\$ 513,629</u>	<u>\$ 903,428</u>	<u>\$ -</u>	<u>\$ 17,234</u>	<u>\$ 1,434,291</u>	<u>\$ 6,051,572</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable and accrued liabilities	\$ -	\$ 6,658	\$ 6,658	\$ -	\$ 2,778	\$ -	\$ -	\$ 2,778	\$ 540,481
Accrued bond interest	-	43,330	43,330	-	-	-	-	-	43,330
Contracts payable - retainage	-	-	-	-	-	-	-	-	68,189
Due to other funds	-	-	-	31,033	-	-	-	31,033	54,661
Due to other governmental units	-	-	-	-	-	-	-	-	113
Deferred revenue	-	-	-	-	-	-	-	-	67,387
Total liabilities	<u>-</u>	<u>49,988</u>	<u>49,988</u>	<u>31,033</u>	<u>2,778</u>	<u>-</u>	<u>-</u>	<u>33,811</u>	<u>774,161</u>
Fund balances:									
Reserved for encumbrances	-	-	-	-	45,838	-	-	45,838	402,678
Reserved for debt service	8,437	-	8,437	-	-	-	-	-	8,437
Unreserved	-	-	-	482,596	854,812	-	17,234	1,354,642	4,866,296
Total fund balances	<u>8,437</u>	<u>-</u>	<u>8,437</u>	<u>482,596</u>	<u>900,650</u>	<u>-</u>	<u>17,234</u>	<u>1,400,480</u>	<u>5,277,411</u>
Total liabilities and fund balances	<u>\$ 8,437</u>	<u>\$ 49,988</u>	<u>\$ 58,425</u>	<u>\$ 513,629</u>	<u>\$ 903,428</u>	<u>\$ -</u>	<u>\$ 17,234</u>	<u>\$ 1,434,291</u>	<u>\$ 6,051,572</u>

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue										
	HOME		Biscayne		Local				Law	Half Cent	
	Investment	CDBG	Boulevard	Police	Housing	Downtown	Law	Federal	Enforcement	Transportation	
	Partnership	Entitlement	Improvement	Training	Assistance	Incentives	Enforcement	Forfeiture	Block Grant	Surtax	Total
					(SHIP)						
Revenues:											
Intergovernmental	\$ 4,813	\$ 694,575	\$ -	\$ 13,249	\$ 357,821	\$ -	\$ -	\$ -	\$ -	\$ 1,805,877	\$ 2,876,335
Taxes	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	121,623	-	-	-	121,623
Other (including interest)	-	66,418	84	42	63,655	271	8,800	3,726	2,821	58,235	204,052
Total revenues	<u>4,813</u>	<u>760,993</u>	<u>84</u>	<u>13,291</u>	<u>421,476</u>	<u>271</u>	<u>130,423</u>	<u>3,726</u>	<u>2,821</u>	<u>1,864,112</u>	<u>3,202,010</u>
Expenditures:											
Current:											
Public safety	-	-	-	9,477	-	-	134,950	745	58,719	-	203,891
Highways and streets	-	-	-	-	-	-	-	-	-	561,618	561,618
Community planning and development	-	395,679	-	-	-	-	-	-	-	-	395,679
Economic environment	4,813	-	-	-	3,733	-	-	-	-	-	8,546
Grants/aid	-	187,314	-	-	-	17,129	-	-	-	-	204,443
Capital outlay	-	178,000	-	-	-	-	-	-	103,107	767,157	1,048,264
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>4,813</u>	<u>760,993</u>	<u>-</u>	<u>9,477</u>	<u>3,733</u>	<u>17,129</u>	<u>134,950</u>	<u>745</u>	<u>161,826</u>	<u>1,328,775</u>	<u>2,422,441</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>84</u>	<u>3,814</u>	<u>417,743</u>	<u>(16,858)</u>	<u>(4,527)</u>	<u>2,981</u>	<u>(159,005)</u>	<u>535,337</u>	<u>779,569</u>
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	7,151	-	7,151
Transfers out	-	-	-	-	-	-	(25,394)	-	-	-	(25,394)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,394)</u>	<u>-</u>	<u>7,151</u>	<u>-</u>	<u>(18,243)</u>
Net change in fund balances	-	-	84	3,814	417,743	(16,858)	(29,921)	2,981	(151,854)	535,337	761,326
Fund balances, beginning	-	-	6,115	3,453	322,140	22,881	202,409	1,273	156,442	2,392,455	3,107,168
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,199</u>	<u>\$ 7,267</u>	<u>\$ 739,883</u>	<u>\$ 6,023</u>	<u>\$ 172,488</u>	<u>\$ 4,254</u>	<u>\$ 4,588</u>	<u>\$ 2,927,792</u>	<u>\$ 3,868,494</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Debt Service</u>			<u>Capital Projects</u>					
	FMLC-Loan	Pension		City of		Safe	E. May Avil	Total	Total
	General	Obligation		Progress	Transportation	Neighborhood			Nonmajor
	<u>Obligation</u>	<u>Bonds</u>	<u>Total</u>	<u>Capital</u>	<u>Gas Tax</u>	<u>Parks</u>	<u>Library</u>	<u>Total</u>	<u>Funds</u>
	<u>Improvement</u>								
Revenues:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 339,255	\$ 1,275	\$ -	\$ 340,530	\$ 3,216,865
Taxes	430,233	-	430,233	-	-	-	-	-	430,233
Fines and forfeitures	-	-	-	-	-	-	-	-	121,623
Other (including interest)	6	-	6	12,904	17,071	-	1,375	31,350	235,408
Total revenues	<u>430,239</u>	<u>-</u>	<u>430,239</u>	<u>12,904</u>	<u>356,326</u>	<u>1,275</u>	<u>1,375</u>	<u>371,880</u>	<u>4,004,129</u>
Expenditures:									
Current:									
Public safety	-	-	-	-	-	-	-	-	203,891
Highways and streets	-	-	-	-	-	-	-	-	561,618
Community planning and development	-	-	-	-	-	-	-	-	395,679
Economic environment	-	-	-	-	-	-	-	-	8,546
Grants/aid	-	-	-	-	-	-	-	-	204,443
Capital outlay	-	-	-	-	225,659	1,275	-	226,934	1,275,198
Debt service:									
Principal retirement	290,000	170,000	460,000	-	-	-	-	-	460,000
Interest and fiscal charges	<u>130,607</u>	<u>1,034,166</u>	<u>1,164,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,164,773</u>
Total expenditures	<u>420,607</u>	<u>1,204,166</u>	<u>1,624,773</u>	<u>-</u>	<u>225,659</u>	<u>1,275</u>	<u>-</u>	<u>226,934</u>	<u>4,274,148</u>
Excess (deficiency) of revenues over expenditures	<u>9,632</u>	<u>(1,204,166)</u>	<u>(1,194,534)</u>	<u>12,904</u>	<u>130,667</u>	<u>-</u>	<u>1,375</u>	<u>144,946</u>	<u>(270,019)</u>
Other financing sources (uses):									
Transfers in	-	1,204,166	1,204,166	-	-	-	14,236	14,236	1,225,553
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,394)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,204,166</u>	<u>1,204,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,236</u>	<u>14,236</u>	<u>1,200,159</u>
Net change in fund balances	9,632	-	9,632	12,904	130,667	-	15,611	159,182	930,140
Fund balances, beginning	<u>(1,195)</u>	<u>-</u>	<u>(1,195)</u>	<u>469,692</u>	<u>769,983</u>	<u>-</u>	<u>1,623</u>	<u>1,241,298</u>	<u>4,347,271</u>
Fund balances, ending	<u>\$ 8,437</u>	<u>\$ -</u>	<u>\$ 8,437</u>	<u>\$ 482,596</u>	<u>\$ 900,650</u>	<u>\$ -</u>	<u>\$ 17,234</u>	<u>\$ 1,400,480</u>	<u>\$ 5,277,411</u>

CITY OF NORTH MIAMI, FLORIDA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue											
	CDBG Entitlement				Biscayne Boulevard Improvement				Multi-Fam Rehab Loan Program			
	(1)		Actual Amounts	Variance with Final Budget- Positive (Negative)	(2)		Actual Amounts	Variance with Final Budget- Positive (Negative)			Actual Amounts	Variance with Final Budget- Positive (Negative)
	Budgeted Amounts				Budgeted Amounts				Budgeted Amounts			
	Original	Final			Original	Final			Original	Final		
Revenues:												
Intergovernmental	\$ 3,075,113	\$ 3,075,113	\$ 694,575	\$ (2,380,538)	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	66,418	66,418	40	40	84	44	7,500	7,500	-	(7,500)
Total revenues	<u>3,075,113</u>	<u>3,075,113</u>	<u>760,993</u>	<u>(2,314,120)</u>	<u>40</u>	<u>40</u>	<u>84</u>	<u>44</u>	<u>507,500</u>	<u>507,500</u>	<u>-</u>	<u>(507,500)</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	485,835	513,835	427,374	86,461	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	5,000	5,000	-	5,000
Grants/aid	2,225,023	2,197,023	187,314	2,009,709	-	-	-	-	502,500	502,500	-	502,500
Capital outlay	182,000	182,000	178,000	4,000	-	-	-	-	-	-	-	-
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,892,858</u>	<u>2,892,858</u>	<u>792,688</u>	<u>2,100,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,500</u>	<u>507,500</u>	<u>-</u>	<u>507,500</u>
Excess (deficiency) of revenues over expenditures	<u>182,255</u>	<u>182,255</u>	<u>(31,695)</u>	<u>(213,950)</u>	<u>40</u>	<u>40</u>	<u>84</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 182,255</u>	<u>\$ 182,255</u>	<u>\$ (31,695)</u>	<u>\$ (213,950)</u>	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ 84</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Appropriated beginning fund balance	\$ 191,155	\$ 191,155			\$ 6,140	\$ 6,140			\$ -	\$ -		

(1) \$373,410 budgeted as reserve for employee benefits and future appropriation

(2) \$6,180 budgeted as reserve for future appropriation.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue															
	Police Training				Local Housing Assistance (SHIP)				Half Cent Transportation Surtax				Home Investment Partnership			
			Actual Amounts	Variance with Final Budget- Positive (Negative)			Actual Amounts	Variance with Final Budget- Positive (Negative)	(4)		Actual Amounts	Variance with Final Budget- Positive (Negative)	(5)		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Budgeted Amounts				Budgeted Amounts				Budgeted Amounts				Budgeted Amounts			
	Original	Final			Original	Final			Original	Final			Original	Final		
Revenues:																
Intergovernmental	\$ 8,500	\$ 8,500	\$ 13,249	\$ 4,749	\$ 282,807	\$ 282,807	\$ 357,821	\$ 75,014	\$ 1,600,000	\$ 1,600,000	\$ 1,805,877	\$ 205,877	\$ 1,147,155	\$ 1,147,155	\$ 4,813	\$(1,142,342)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	42	42	1,530	1,530	63,655	62,125	12,700	12,700	58,235	45,535	-	-	-	-
Total revenues	8,500	8,500	13,291	4,791	284,337	284,337	421,476	137,139	1,612,700	1,612,700	1,864,112	251,412	1,147,155	1,147,155	4,813	(1,142,342)
Expenditures:																
Current:																
Public safety	9,142	9,142	9,477	(335)	-	-	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	940,605	939,933	613,652	326,281	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	28,281	28,281	3,733	24,548	-	-	-	-	162,182	162,182	4,813	157,369
Grants/aid	-	-	-	-	485,372	485,372	-	485,372	-	-	-	-	952,155	952,155	-	952,155
Capital outlay	-	-	-	-	-	-	-	-	1,565,628	1,566,300	870,448	695,852	3,000	3,000	-	3,000
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	9,142	9,142	9,477	(335)	513,653	513,653	3,733	509,920	2,506,233	2,506,233	1,484,100	1,022,133	1,117,337	1,117,337	4,813	1,112,524
Excess (deficiency) of revenues over expenditures	(642)	(642)	3,814	4,456	(229,316)	(229,316)	417,743	647,059	(893,533)	(893,533)	380,012	1,273,545	29,818	29,818	-	(29,818)
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ (642)	\$ (642)	\$ 3,814	\$ 4,456	\$ (229,316)	\$ (229,316)	\$ 417,743	\$ 647,059	\$ (893,533)	\$ (893,533)	\$ 380,012	\$ 1,273,545	\$ 29,818	\$ 29,818	\$ -	\$ (29,818)
Appropriated beginning fund balance	\$ 642	\$ 642			\$ 229,316	\$ 229,316			\$ 2,024,688	\$ 2,024,688			\$ -	\$ -		

(4) 1,131,155 budgeted as reserve for future appropriation.

(5) \$29,818 budgeted as reserve for future appropriation.

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS NONMAJOR GOVERNMENTAL FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue															
	Downtown Incentives				Law Enforcement				Federal Forfeiture				Law Enforcement Block Grant			
				Variance				Variance				Variance				Variance
				with Final				with Final				with Final				with Final
	(6)		Budgeted	Positive	(6)		Budgeted	Positive	(7)		Budgeted	Positive	(8)		Budgeted	Positive
Budgeted Amounts		Actual	Budget-	Budgeted Amounts	Actual	Positive	Budgeted Amounts	Actual	Budget-	Budgeted Amounts	Actual	Budget-	Budgeted Amounts	Actual	Budget-	
Original		Final	Positive	Original	Final	(Negative)	Original	Final	Original	Final	(Negative)	Original	Final	Original	(Negative)	
Revenues:																
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,355	\$ 64,355	\$ -	\$ (64,355)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	121,623	121,623	-	-	-	-	-	-	-	-
Other (including interest)	100	100	271	171	2,480	2,480	8,800	6,320	75	75	3,726	3,651	2,250	2,250	2,821	571
Total revenues	100	100	271	171	2,480	2,480	130,423	127,943	75	75	3,726	3,651	66,605	66,605	2,821	(63,784)
Expenditures:																
Current:																
Public safety	-	-	-	-	-	148,673	135,191	13,482	-	840	745	95	-	68,704	62,116	6,588
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	10,000	978	-	978	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	10,978	20,000	17,129	2,871	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	130,099	96,099	34,000
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	20,978	20,978	17,129	3,849	-	148,673	135,191	13,482	-	840	745	95	-	198,803	158,215	40,588
Excess (deficiency) of revenues over expenditures	(20,878)	(20,878)	(16,858)	4,020	2,480	(146,193)	(4,768)	141,425	75	(765)	2,981	3,746	66,605	(132,198)	(155,394)	(23,196)
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	7,151	7,151	7,151	-
Transfers out	-	-	-	-	(7,151)	(25,395)	(25,394)	1	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(7,151)	(25,395)	(25,394)	1	-	-	-	-	7,151	7,151	7,151	-
Net change in fund balance	<u>\$ (20,878)</u>	<u>\$ (20,878)</u>	<u>\$ (16,858)</u>	<u>\$ 4,020</u>	<u>\$ (4,671)</u>	<u>\$ (171,588)</u>	<u>\$ (30,162)</u>	<u>\$ 141,426</u>	<u>\$ 75</u>	<u>\$ (765)</u>	<u>\$ 2,981</u>	<u>\$ 3,746</u>	<u>\$ 73,756</u>	<u>\$ (125,047)</u>	<u>\$ (148,243)</u>	<u>\$ (23,196)</u>
Appropriated beginning fund balance	<u>\$ 20,878</u>	<u>\$ 20,878</u>			<u>\$ 213,388</u>	<u>\$ 213,388</u>			<u>\$ 829</u>	<u>\$ 829</u>			<u>\$ 175,936</u>	<u>\$ 175,936</u>		

(6) \$41,800 budgeted as reserve for future appropriations

(7) \$64 budgeted as reserve for future appropriation

(8) \$50,889 budgeted as reserve for future appropriation

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Debt Service							
	FMLC - Loan General Obligation				Pension Obligation Bonds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	422,919	422,919	430,233	7,314	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other (including interest)	-	-	6	6	-	-	-	-
Total revenues	422,919	422,919	430,239	7,320	-	-	-	-
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	290,000	290,000	290,000	-	170,000	170,000	170,000	-
Interest and fiscal charges	130,895	130,895	130,607	288	1,036,233	1,036,233	1,034,166	2,067
Total expenditures	420,895	420,895	420,607	288	1,206,233	1,206,233	1,204,166	2,067
Excess (deficiency) of revenues over expenditures	2,024	2,024	9,632	7,608	(1,206,233)	(1,206,233)	(1,204,166)	2,067
Other financing sources (uses):								
Transfers in	-	-	-	-	(1,206,233)	1,206,233	1,204,166	(2,067)
Transfers out	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(1,206,233)	1,206,233	1,204,166	(2,067)
Net change in fund balance	\$ 2,024	\$ 2,024	\$ 9,632	\$ 7,608	\$ -	\$ -	\$ -	\$ -
Appropriated beginning fund balance	\$ (2,024)	\$ (2,024)			\$ -	\$ -		

(Continued)

CITY OF NORTH MIAMI, FLORIDA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Capital Projects															
	Safe Neighborhood Parks				City of Progress Capital Improvement				E. May Avil Library				Transportation Gas Tax			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	(9) Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	(10) Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Original	Final			Original	Final			Original	Final		
Revenues:																
Intergovernmental	\$ 350,000	\$ 350,000	\$ 1,275	\$ (348,725)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311,840	\$ 311,840	\$ 339,255	\$ 27,415
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	1,000	1,000	12,904	11,904	1,004	1,004	1,375	371	6,350	6,350	17,071	10,721
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>1,275</u>	<u>(348,725)</u>	<u>1,000</u>	<u>1,000</u>	<u>12,904</u>	<u>11,904</u>	<u>1,004</u>	<u>1,004</u>	<u>1,375</u>	<u>371</u>	<u>318,190</u>	<u>318,190</u>	<u>356,326</u>	<u>38,136</u>
Expenditures:																
Current:																
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	350,000	350,000	-	350,000	-	-	-	-	-	-	-	-	706,488	706,488	271,498	434,990
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,488</u>	<u>706,488</u>	<u>271,498</u>	<u>434,990</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,275</u>	<u>1,275</u>	<u>1,000</u>	<u>1,000</u>	<u>12,904</u>	<u>11,904</u>	<u>1,004</u>	<u>1,004</u>	<u>1,375</u>	<u>371</u>	<u>(388,298)</u>	<u>(388,298)</u>	<u>84,828</u>	<u>473,126</u>
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	14,236	14,236	14,236	-	-	-	-	-
Transfers out	-	-	-	-	(117,841)	(117,841)	-	117,841	-	-	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,841)</u>	<u>(117,841)</u>	<u>-</u>	<u>117,841</u>	<u>14,236</u>	<u>14,236</u>	<u>14,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,275</u>	<u>\$ 1,275</u>	<u>\$ (116,841)</u>	<u>\$ (116,841)</u>	<u>\$ 12,904</u>	<u>\$ 129,745</u>	<u>\$ 15,240</u>	<u>\$ 15,240</u>	<u>\$ 15,611</u>	<u>\$ 371</u>	<u>\$ (388,298)</u>	<u>\$ (388,298)</u>	<u>\$ 84,828</u>	<u>\$ 473,126</u>
Appropriated beginning fund balance	<u>\$ -</u>	<u>\$ -</u>			<u>\$ 116,841</u>	<u>\$ 116,841</u>			<u>\$ 1,624</u>	<u>\$ 1,624</u>			<u>\$ 657,031</u>	<u>\$ 657,031</u>		

(9) \$16,864 budgeted as reserve for future appropriation.

(10) \$268,733 budgeted as reserve for future appropriation.

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

GENERAL RISK MANAGEMENT – This fund is used to account for the cost of insuring the City in the areas of property and casualty liability, public officials' and law enforcement officers' liability and workers' compensation. Departments of the City are assessed a charge based upon the funding needs of the fund.

GROUP HEALTH RISK MANAGEMENT – This fund was established to account for the cost of the City's self-insurance program for employee medical coverage.

Effective January 1, 1998, the City was no longer self-insured for group health. Beginning in fiscal year 2000, remaining funds in the health insurance trust fund are being appropriated for the purpose of providing health insurance premiums for City employees. The appropriation of funds is being amortized over a five-year period ending with the fiscal year ended September 30, 2005.

FLEET MANAGEMENT – This fund is used to account for the costs and funding of providing motor vehicles and heavy equipment to other departments.

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

<u>ASSETS</u>	General Risk Management	Group Health Risk Management	Fleet Management	Totals
Current:				
Cash and cash equivalents	\$ 1,318,104	\$ -	\$ 114,384	\$ 1,432,488
Investments	2,275,000	-	1,500,000	3,775,000
Receivables	5,657	-	156,783	162,440
Due from other funds	468,004	-	-	468,004
Inventories and supplies	-	-	47,357	47,357
Other assets	12,528	-	705	13,233
Total current assets	<u>4,079,293</u>	<u>-</u>	<u>1,819,229</u>	<u>5,898,522</u>
Non-current:				
Advances to other funds	-	-	122,693	122,693
Capital assets:				
Buildings	-	-	93,274	93,274
Land improvements	-	-	503,176	503,176
Equipment	6,411	-	11,142,701	11,149,112
Construction work in process	-	-	40,892	40,892
Accumulated depreciation	(4,952)	-	(8,004,096)	(8,009,048)
Total non-current assets	<u>1,459</u>	<u>-</u>	<u>3,898,640</u>	<u>3,900,099</u>
Total assets	<u>4,080,752</u>	<u>-</u>	<u>5,717,869</u>	<u>9,798,621</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	57,422	-	29,524	86,946
Due to other government units	-	-	2,875	2,875
Due to other funds	606,685	-	18,720	625,405
Total current liabilities	<u>664,107</u>	<u>-</u>	<u>51,119</u>	<u>715,226</u>
Non-current:				
Compensated absences	51,331	-	370,145	421,476
Estimated claims payable	3,365,314	-	-	3,365,314
Total non-current liabilities	<u>3,416,645</u>	<u>-</u>	<u>370,145</u>	<u>3,786,790</u>
Total liabilities	<u>4,080,752</u>	<u>-</u>	<u>421,264</u>	<u>4,502,016</u>
<u>NET ASSETS</u>				
Net assets:				
Invested in capital assets	1,459	-	3,775,947	3,777,406
Unrestricted	(1,459)	-	1,520,658	1,519,199
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,296,605</u>	<u>\$ 5,296,605</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2005

	General Risk <u>Management</u>	Group Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Operating revenues:				
Motor vehicle charges	\$ -	\$ -	\$ 2,521,452	\$ 2,521,452
Other charges for services	<u>1,972,637</u>	<u>-</u>	<u>29,188</u>	<u>2,001,825</u>
Total operating revenues	<u>1,972,637</u>	<u>-</u>	<u>2,550,640</u>	<u>4,523,277</u>
Operating expenses:				
Personal services	234,355	-	1,254,362	1,488,717
Claims	990,612	-	-	990,612
Materials, supplies, services and other operating expenses	1,016,365	-	1,171,140	2,187,505
Depreciation	<u>729</u>	<u>-</u>	<u>1,021,795</u>	<u>1,022,524</u>
Total operating expenses	<u>2,242,061</u>	<u>-</u>	<u>3,447,297</u>	<u>5,689,358</u>
Operating loss	<u>(269,424)</u>	<u>-</u>	<u>(896,657)</u>	<u>(1,166,081)</u>
Non-operating revenues:				
Interest income	102,124	-	46,842	148,966
Grants	279	-	135,148	135,427
Miscellaneous	<u>178,461</u>	<u>-</u>	<u>125,348</u>	<u>303,809</u>
Total non-operating revenues	<u>280,864</u>	<u>-</u>	<u>307,338</u>	<u>588,202</u>
Income (loss) before contributions and transfers	11,440	-	(589,319)	(577,879)
Capital contributions	-	-	80,406	80,406
Transfers out	<u>(11,440)</u>	<u>(5,857)</u>	<u>(55,392)</u>	<u>(72,689)</u>
Net loss	-	(5,857)	(564,305)	(570,162)
Net assets, beginning	<u>-</u>	<u>5,857</u>	<u>5,860,910</u>	<u>5,866,767</u>
Net assets, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,296,605</u></u>	<u><u>\$ 5,296,605</u></u>

CITY OF NORTH MIAMI, FLORIDA

STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	General Risk <u>Management</u>	General Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 178,461	\$ -	\$ 55,205	\$ 233,666
Interfund services provided and used	1,693,654	-	2,453,982	4,147,636
Gasoline tax refund	-	-	31,456	31,456
Cash payments to suppliers	(1,043,731)	-	(1,129,735)	(2,173,466)
Claim payments	(640,332)	-	-	(640,332)
Cash payments to employees	(229,863)	-	(1,185,330)	(1,415,193)
Net cash provided (used) by operating activities	<u>(41,811)</u>	<u>-</u>	<u>225,578</u>	<u>183,767</u>
Cash flows from non-capital financing activities:				
Repayment of interfund loans	-	-	57,308	57,308
Interfund receivables	150,840	-	70,582	221,422
Interfund payables	(1,750,011)	-	-	(1,750,011)
Grant proceeds	-	-	6,966	6,966
Transfers to other funds	(11,440)	(5,857)	(55,392)	(72,689)
Net cash provided (used) by non-capital financing activities	<u>(1,610,611)</u>	<u>(5,857)</u>	<u>79,464</u>	<u>(1,537,004)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(1,342,886)	(1,342,886)
Proceeds from sale of capital assets	-	-	95,033	95,033
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,247,853)</u>	<u>(1,247,853)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	3,275,000	-	500,000	3,775,000
Purchase of investments	(1,350,000)	-	-	(1,350,000)
Interest received	110,623	-	47,501	158,124
Net cash provided by investing activities	<u>2,035,623</u>	<u>-</u>	<u>547,501</u>	<u>2,583,124</u>
Net increase (decrease) in cash and cash equivalents	383,201	(5,857)	(395,310)	(17,966)
Cash and cash equivalents, beginning	<u>934,903</u>	<u>5,857</u>	<u>509,694</u>	<u>1,450,454</u>
Cash and cash equivalents, ending	<u>\$ 1,318,104</u>	<u>\$ -</u>	<u>\$ 114,384</u>	<u>\$ 1,432,488</u>

CITY OF NORTH MIAMI, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	General Risk <u>Management</u>	Group Health Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (269,424)	\$ -	\$ (896,657)	\$ (1,166,081)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	729	-	1,021,795	1,022,524
Other income	178,462	-	58,644	237,106
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Miscellaneous receivables	-	-	(1,171)	(1,171)
Inventories	-	-	3,040	3,040
Due from other funds	(387,857)	-	-	(387,857)
Other assets	9,400	-	(131)	9,269
Increase (decrease) in:				
Accounts payable	(39,886)	-	(29,926)	(69,812)
Accrued liabilities	702	-	1,901	2,603
Estimated claims payable	350,280	-	-	350,280
Compensated absences	3,579	-	46,208	49,787
Due to other funds	111,994	-	18,720	130,714
Due to other government units	-	-	952	952
Accrued payroll deductions	210	-	2,203	2,413
Total adjustments	<u>227,613</u>	<u>-</u>	<u>1,122,235</u>	<u>1,349,848</u>
Net cash provided (used) by operating activities	<u>\$ (41,811)</u>	<u>\$ -</u>	<u>\$ 225,578</u>	<u>\$ 183,767</u>

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in the fair value of investments.



PENSION TRUST FUNDS

THE CTS AND 748 PENSION PLANS — These funds are used to account for the accumulation of resources to be used for retirement benefits to City employees. Resources are contributed by employees (at rates fixed by law) and by the City (at amounts determined by actuarial valuations).

CITY OF NORTH MIAMI, FLORIDA

PENSION TRUST FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS SEPTEMBER 30, 2005

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 2,652,554	\$ 2,432,390	\$ 5,084,944
Investments, at fair value:			
U.S. Treasury bonds and notes	5,266,199	3,015,466	8,281,665
U.S. Agency obligations	3,548,469	349,891	3,898,360
Corporate bonds	10,217,636	4,823,180	15,040,816
Common stock	33,248,644	14,197,816	47,446,460
Total investments	<u>52,280,948</u>	<u>22,386,353</u>	<u>74,667,301</u>
Receivables:			
Plan member contributions	21,008	10,264	31,272
Miami-Dade County	110,050	-	110,050
CNM Police Share Plan	16,687	183,212	199,899
Receivable from broker on investments sold	761,505	-	761,505
Accrued interest	205,924	83,071	288,995
Accrued dividends	38,671	10,403	49,074
Total receivables	<u>1,153,845</u>	<u>286,950</u>	<u>1,440,795</u>
Total assets	<u>56,087,347</u>	<u>25,105,693</u>	<u>81,193,040</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable and accrued liabilities	67,062	35,659	102,721
Benefits payable	11,699	-	11,699
Payable to broker for investments purchased	943,767	25,980	969,747
Total liabilities	<u>1,022,528</u>	<u>61,639</u>	<u>1,084,167</u>
Net assets held in trust for pension benefits	<u>\$ 55,064,819</u>	<u>\$ 25,044,054</u>	<u>\$ 80,108,873</u>

CITY OF NORTH MIAMI, FLORIDA

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employer	\$ 3,193,759	\$ 1,203,757	\$ 4,397,516
Plan members	1,121,785	483,553	1,605,338
County	321,445	-	321,445
Other (including state contributions)	3,722	87,105	90,827
Total contributions	<u>4,640,711</u>	<u>1,774,415</u>	<u>6,415,126</u>
Investment income:			
Net appreciation in fair value of investments	2,734,602	860,645	3,595,247
Interest	1,187,590	478,335	1,665,925
Dividends	664,105	231,144	895,249
	<u>4,586,297</u>	<u>1,570,124</u>	<u>6,156,421</u>
Less investment expenses	265,019	115,363	380,382
Net investment income	<u>4,321,278</u>	<u>1,454,761</u>	<u>5,776,039</u>
Total additions	<u>8,961,989</u>	<u>3,229,176</u>	<u>12,191,165</u>
DEDUCTIONS			
Benefits paid directly to participants:			
Disability retirement	85,006	97,899	182,905
Death benefit	-	34,657	34,657
Normal retirement	2,311,630	31,183	2,342,813
Lump sum retirement	3,207,802	91,393	3,299,195
Refunds of contributions	92,733	12,746	105,479
	<u>5,697,171</u>	<u>267,878</u>	<u>5,965,049</u>
Administrative expenses	147,383	103,146	250,529
Total deductions	<u>5,844,554</u>	<u>371,024</u>	<u>6,215,578</u>
Net increase in net assets	3,117,435	2,858,152	5,975,587
Net assets, beginning	<u>51,947,384</u>	<u>22,185,902</u>	<u>74,133,286</u>
Net assets, ending	<u>\$ 55,064,819</u>	<u>\$ 25,044,054</u>	<u>\$ 80,108,873</u>



North Miami's Mentor Program pairs city employees up with North Miami Middle School Students. In 2005, the mentors and mentees celebrated a successful year at SeaWorld Orlando. Shown in photo are mentors: Maria Martinez (Public Works), Evelyn Garcia (Parks and Recreation Department) and Yolanda Carrasquillo (Parks and Recreation Department).



Rookie officers take the law enforcement officer's oath in May 2005 lead by Chief Gwendolyn V. Boyd, while one of our police department's youngest supporters looks on.



The City's Youth Opportunity Board presents scholarships to high school students twice annually in recognition of their leadership and/or academic excellence.

CITY OF NORTH MIAMI, FLORIDA

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION (1) LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities									Business-type Activities			Total
	General Government	(2) Public Works	Highways and Streets	Public Safety	Culture / Recreation	Community Planning & Development	(3) Physical Environment	Economic Environment	Interest & Fiscal Charges	Water & Sewer	Solid Waste	Stormwater	
2002	\$12,594,194	\$761,565	\$2,177,758	\$11,748,202	\$5,336,611	\$2,725,694	\$849,320	\$144,329	\$1,085,047	\$17,291,430	\$5,440,595	\$1,474,832	\$61,629,577
2003	11,966,789	836,404	2,289,964	12,716,830	5,515,862	3,343,428	19,580,993	1,314,193	1,365,061	17,952,760	5,291,596	1,510,072	83,683,952
2004	14,901,830	-	2,585,706	12,956,769	5,683,795	2,338,699	1,046,250	48,459	1,316,044	18,412,385	5,599,198	2,161,989	67,051,124
2005	17,623,838	-	3,200,028	13,445,521	5,587,756	2,429,379	1,342,690	33,175	1,296,332	18,586,779	5,878,639	1,817,173	71,241,310

(1) Information for Fiscal Year End 1996 - 2001 is unavailable.

(2) In 2004, public works administration and building maintenance were reclassified to general government.

(3) Pursuant to an updated remediation and landfill closure cost projection completed in 2003, fiscal year 2003 expenses reflect an additional estimated liability of \$19.3 million. This liability is being funded by a grant from Miami-Dade County.

CITY OF NORTH MIAMI, FLORIDA

TABLE 2

GOVERNMENT-WIDE REVENUES (1)

LAST TEN FISCAL YEARS

Fiscal Year	Program Revenues			General Revenues			
	Charges for Services	Operating Grants and Contributions (2)	Capital Grants and Contributions	Taxes (3)	Unrestricted Investment Earnings	Miscellaneous	Total
2002	\$ 28,348,413	\$ 10,097,856	\$ 975,692	\$ 18,954,928	\$ 770,022	\$ 533,074	\$ 59,679,985
2003	29,924,310	11,317,404	905,158	19,517,808	574,766	2,152,608	64,392,054
2004	32,387,074	41,173,355	6,527,688	21,099,302	422,936	3,158,227	104,768,582
2005	33,312,394	12,448,938	1,338,610	23,457,227	1,252,733	446,468	72,256,370

(1) Information for Fiscal Year End 1996 - 2001 is unavailable.

(2) In 2004, includes a \$31,027,000 grant from Miami-Dade County for landfill remediation and closure.

(3) Includes property taxes, utility taxes, franchise fees and communication services tax. Fiscal year 2002 revenue has been restated to reclassify state shared revenues from taxes to operating grants and contributions.

CITY OF NORTH MIAMI, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST TEN FISCAL YEARS

Fiscal Year	(2) General Government	(3) Public Works	Capital Outlay	Public Safety	(4) Culture / Recreation	(5) Building & Zoning	(6) Debt Service	(5) Planning and Economic Development	Grants / Aids	Physical Environment	Economic Environment	Highways & Streets	Totals
1996	\$ 8,295,286	\$ 1,617,909	\$ 3,277,848	\$ 8,239,323	\$ 4,381,939	\$ 1,010,421	\$ 1,416,282	\$ 649,092	\$ 344,233	\$ 202,906	\$ 4,675	\$ -	\$ 29,439,914
1997	8,471,369	1,541,852	1,197,982	8,581,670	4,614,223	-	13,972,752	1,568,566	504,086	193,754	5,425	-	40,651,679
1998	7,237,875	1,477,987	1,417,132	8,814,805	4,866,029	-	3,047,734	1,553,573	950,376	469,386	4,209	-	29,839,106
1999	7,342,359	1,545,641	2,972,285	9,517,309	4,979,691	-	3,240,986	1,709,563	868,791	791,490	1,951	-	32,970,066
2000	8,233,240	1,576,789	2,535,686	10,403,929	5,092,193	-	3,236,179	1,835,786	712,621	1,300,554	103,235	-	35,030,212
2001	9,758,489	1,806,330	1,669,470	10,435,664	5,512,454	-	2,300,204	1,864,953	859,768	415,416	6,444	-	34,629,192
2002	11,930,162	1,831,985	2,066,964	11,545,807	5,492,566	-	2,525,952	2,234,281	900,590	828,989	32,189	-	39,389,485
2003	10,701,482	1,922,398	1,025,287	12,146,198	6,008,020	-	2,898,587	2,202,810	2,856,274	262,161	57,734	-	40,080,951
2004	13,550,286	-	1,725,608	12,195,018	5,150,279	-	2,630,189	2,138,471	578,845	176,350	13,759	2,405,414	40,564,219
2005	15,786,107	-	1,862,438	12,723,558	4,950,200	-	2,624,631	2,316,850	471,803	6,102,114	8,546	2,719,858	49,566,105

(1) Includes general fund, special revenue funds and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

Beginning in fiscal year 2002, public safety and capital outlay expenditures include expenditures previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) In 2005, general government included on behalf payments of \$238,414.

(3) In 2004, public works administration and building maintenance were reclassified to general government. Highways and streets previously reported under Public Works are reported under a separate function.

(4) As of fiscal year 2003, museum operations are included as culture/recreation. Prior to 2003, museum operations were reflected as "transfer to component unit". In 2004 and subsequent, right-of-way operations are included under highways and streets.

(5) In fiscal year 1997, these were combined under one budgetary level of control entitled Community Planning and Development in the General fund.

(6) In fiscal year 1997, this includes \$11,412,917 in bond proceeds that were contributed to the City's two defined benefit pension plans for the discharge of the unfunded actuarial accrued liabilities.

CITY OF NORTH MIAMI, FLORIDA

TABLE 4

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>(2) Taxes</u>	<u>Licenses and Permits</u>	<u>(3) Inter- Governmental Revenues</u>	<u>(4) Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Totals</u>
1996	\$ 16,373,730	\$ 854,497	\$ 5,737,134	\$ 3,478,334	\$ 294,877	\$ 798,802	\$ 27,537,374
1997	16,517,265	854,755	5,905,897	3,670,658	273,701	1,153,627	28,375,903
1998	17,053,937	837,967	6,878,804	3,757,804	270,701	1,255,703	30,054,916
1999	17,836,782	828,579	7,800,732	3,940,979	240,757	962,959	31,610,788
2000	18,256,591	851,649	8,021,068	4,081,419	281,213	739,039	32,230,979
2001	18,628,549	829,921	7,655,752	4,811,068	321,897	679,781	32,926,968
2002	19,853,136	925,688	8,943,565	5,139,702	700,027	543,291	36,105,409
2003	20,434,363	1,183,969	9,950,617	6,027,983	766,495	1,887,969	40,251,396
2004	21,981,530	1,348,970	10,007,005	6,002,864	576,905	2,127,052	42,044,326
2005	24,351,288	1,661,473	(5) 41,241,916	6,029,459	452,387	2,434,591	76,171,114

(1) Includes general, special revenue and debt service funds; excludes capital projects and expendable trust funds (GAAP basis).

Beginning in fiscal year 2002, intergovernmental, fines and forfeitures, and other revenues include revenues previously accounted for in expendable trust funds. All expendable trust funds were reclassified to special revenue funds with the implementation of GASB 34.

(2) Includes property taxes, sales and use taxes, franchise fees, utility service taxes, and communication services tax.

(3) Includes grants and intergovernmental shared revenues.

(4) Primarily includes revenues from interfund services provided and used.

(5) Includes a grant of \$31,027,000 from Miami-Dade County for remediation and closure of former landfill site.

CITY OF NORTH MIAMI, FLORIDA

TABLE 5

PROPERTY TAX LEVIES AND COLLECTIONS (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy (2)</u>	<u>Current Tax Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
1996	\$ 10,715,956	\$ 10,109,944	94.34	\$ 136,892	\$ 10,246,836	95.62
1997	10,823,741	10,182,625	94.08	59,042	10,241,667	94.62
1998	11,024,259	10,461,639	94.90	170,122	10,631,761	96.44
1999	11,050,487	10,600,534	95.93	115,903	10,716,437	96.98
2000	11,608,639	10,992,751	94.69	130,503	11,123,254	95.82
2001	11,356,172	10,762,383	94.77	184,170	10,946,553	96.39
2002	12,242,231	11,625,171	94.96	159,854	11,785,025	96.27
2003	13,088,588	12,460,129	95.20	115,732	12,575,861	96.08
2004	14,758,331	13,991,362	94.80	78,341	14,069,703	95.33
2005	16,741,532	15,807,805	94.42	126,744	15,934,549	95.18

Source: Miami-Dade County Property Appraiser and internally generated data.

(1) Includes levies and collections for personal and real properties.

(2) Includes levies for general operations, library, and debt service. Subsequent to 1999, library services are included in general operations.

CITY OF NORTH MIAMI, FLORIDA

TABLE 6

ASSESSED VALUE OF ALL TAXABLE PROPERTY (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Taxable Gross Total</u>	<u>Real Estate Adjustments</u>	<u>Net Assessed Property Value</u>
1996	\$ 1,064,895,883	\$ 99,896,576	\$ 618,789	\$ 1,165,411,248	\$ 7,537,158	\$ 1,157,874,090
1997	1,071,041,444	111,019,957	602,562	1,182,663,963	9,204,014	1,173,459,949
1998	1,097,530,218	111,324,898	608,223	1,209,463,339	9,336,728	1,200,126,611
1999	1,133,445,837	112,171,309	779,442	1,246,396,588	9,302,670	1,237,093,918
2000	1,152,380,189	131,273,575	771,791	1,284,425,555	10,121,113	1,274,304,442
2001	1,189,062,896	115,288,424	805,782	1,305,157,102	9,088,509	1,296,068,593
2002	1,266,127,069	120,578,899	830,144	1,387,536,112	15,469,107	1,372,067,005
2003	1,376,538,211	114,867,426	851,583	1,492,257,220	13,364,987	1,478,892,233
2004	1,574,569,163	109,803,581	849,185	1,685,221,929	18,813,919	1,666,408,010
2005	1,809,777,258	106,472,379	968,486	1,917,218,123	19,523,012	1,897,695,111

Source: Miami-Dade County Property Appraiser

(1) The basis of assessed value is approximately 100% of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding year.

CITY OF NORTH MIAMI, FLORIDA

TABLE 7

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Fiscal Year	<u>City of North Miami</u>			<u>Miami-Dade County</u>			School District	State	Total Millage
	Operating Millage(1)	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total			
1996	7.962	1.233	9.195	9.446	0.829	10.275	10.389	0.587	30.446
1997	7.935	1.217	9.152	9.156	0.832	9.988	10.366	0.710	30.216
1998	7.931	1.184	9.115	8.673	1.004	9.677	10.462	0.747	30.001
1999	7.831	1.169	9.000	8.887	0.837	9.724	10.160	0.744	29.628
2000	7.930	1.108	9.038	8.561	0.816	9.377	9.644	0.741	28.800
2001	8.350	0.351	8.701	8.503	0.652	9.155	9.617	0.738	28.211
2002	8.500	0.323	8.823	8.465	0.552	9.017	9.376	0.736	27.952
2003	8.500	0.271	8.771	8.550	0.390	8.940	9.252	0.736	27.699
2004	8.500	0.2575	8.7575	9.130	0.285	9.415	9.100	0.7355	28.008
2005	8.500	0.2322	8.7322	9.040	0.285	9.325	8.687	0.7355	27.480

Source: Miami-Dade County Property Appraiser.

(1) Includes general operations and library.

CITY OF NORTH MIAMI, FLORIDA

TABLE 8

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Stellar Biscayne	Real Estate Rentals	\$ 54,200,000	2.86%
King Apartments	Rental Apartments	40,910,201	2.16%
City of North Miami/Biscayne Landing LLC	Real Estate Development	36,689,336	1.93%
Florida Power & Light Corporation	Utility	27,998,691	1.48%
Alliance LTD Partnership	Entertainment	26,500,000	1.40%
San Souci, LLC	Rental Apartments	22,000,000	1.16%
Keystone Towers	Rental Apartments	20,000,000	1.05%
Center Court Associates LTD	Rental Apartments	13,800,000	0.73%
127th Street Shopping Center, Inc.	Shopping Mall	13,360,093	0.70%
Causeway Plaza	Shopping Mall	<u>13,281,936</u>	<u>0.70%</u>
Totals		<u>\$ 268,740,257</u>	<u>14.17%</u>

Source: Miami-Dade County Property Appraiser

CITY OF NORTH MIAMI, FLORIDA

TABLE 9

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	(1) <u>Population*</u>	(2) Assessed <u>Value*</u>	(3) Gross Bonded <u>Debt*</u>	(4) Less Debt Service <u>Fund*</u>	Net Bonded <u>Debt*</u>	Ratio of Net Debt to Assessed <u>Value</u>	Net Bonded Debt Per <u>Capita</u>
1996	51	\$ 1,157,874	\$ 7,830	\$ 17	\$ 7,813	0.67	153
1997	50	1,173,460	6,875	11	6,864	0.58	137
1998	50	1,200,127	5,875	21	5,854	0.49	117
1999	50	1,237,094	4,820	32	4,788	0.39	96
2000	60	1,274,304	3,720	14	3,706	0.29	62
2001	60	1,296,069	3,500	10	3,490	0.27	58
2002	60	1,372,067	3,335	37	3,298	0.24	55
2003	60	1,478,892	3,060	-	3,060	0.21	51
2004	60	1,666,408	2,780	-	2,780	0.17	46
2005	60	1,897,695	2,490	8	2,482	0.13	41

*Amounts expressed in thousands.

Source: City of North Miami Finance Department.

(1) From Table 13.

(2) From Table 6.

(3) Amount does not include special obligation bonds payable. All general obligation bonded debt is expected to be repaid through general governmental resources.

(4) Amount available for repayment of FMLC loan (general obligation debt).

CITY OF NORTH MIAMI, FLORIDA

TABLE 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES*

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996	\$ 930	\$ 486 (4)	\$ 1,416	\$ 29,440	4.81
1997	1,832	728 (5)	2,560	40,652	6.30
1998	1,843	1,205	3,048	29,839	10.21
1999	1,941	1,300	3,241	32,970	9.83
2000	2,030	1,233 (6)	3,263	35,030	9.31
2001	1,196	1,104	2,300	34,629	6.64
2002	380	1,130 (7)	1,510	39,389	3.83
2003	375	1,518 (8)	1,893	40,081	4.72
2004	440	1,190	1,630	40,564	4.02
2005	460	1,165	1,625	49,566	3.28

*Amounts expressed in thousands.

(1) Includes debt service for general obligation and special obligation debt.

(2) Includes debt issuance and other costs.

(3) From Table 3.

(4) Includes debt issuance costs of approximately \$33,000.

(5) Includes debt issuance costs of approximately \$176,000.

(6) Includes debt issuance costs of approximately \$27,000.

(7) Includes debt issuance costs of approximately \$59,436.

(8) Includes debt issuance costs of \$422,662.

CITY OF NORTH MIAMI, FLORIDA

TABLE 11

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT GENERAL OBLIGATION BONDS (1)

SEPTEMBER 30, 2005

(IN THOUSANDS)

<u>Jurisdiction</u>	<u>Taxable Property Value</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable To North Miami</u>	<u>Amount Applicable To North Miami</u>
Direct:				
City of North Miami (1)	\$ 1,897,695	\$ 2,482	100.00%	\$ 2,482
Overlapping:				
Miami-Dade County (2)	175,222,910	500,362	1.08% (4)	5,404
Miami-Dade County Schools (3)	144,990,968	<u>625,127</u>	1.31% (4)	<u>8,190</u>
Total Overlapping Debt		<u>1,125,489</u>		<u>13,594</u>
Total Direct and Overlapping Debt		<u>\$ 1,127,971</u>		<u>\$ 16,076</u>

(1) Excludes the City of North Miami's special obligation bonds which are not payable from property taxes (see Table 9).

(2) Source: Miami-Dade County Finance Department - Taxable Property Value reflects January 1, 2005 amounts and Net General Obligation Bonded Debt Outstanding figures are as of September 30, 2005.

(3) Source: School Board of Miami-Dade County Division of Accounting - Taxable Property Value reflects September 30, 2004 amounts and Net General Obligation Bonded Debt Outstanding figures are as of June 30, 2005.

(4) Based on the percentage of the County's/School Board's tax roll valuation comprised of real and personal property situated in the City of North Miami.

CITY OF NORTH MIAMI, FLORIDA

TABLE 12

SCHEDULE OF REVENUE BOND COVERAGE WATER & SEWER ENTERPRISE FUND

LAST TEN FISCAL YEARS
(IN THOUSANDS)

<u>Fiscal Year</u>	<u>Operating Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>		<u>Total</u>	<u>Coverage</u>
				<u>Principal</u>	<u>Interest (3)</u>		
1996	\$ 15,247	\$ 12,460	\$ 2,787	\$ 355	\$ 310	\$ 665	4.19
1997	14,983	14,116	867	370	294	664	1.30
1998	15,355	13,273	2,082	385	278	663	3.14
1999	15,766	14,439	1,327	395	262	657	2.01
2000	17,212	14,374	2,838	415	245	660	4.29
2001	16,236	14,917	1,319	430	228	658	2.00
2002	16,478	15,889	589	450	210	660	0.89
2003	16,458	16,594	(136)	465	191	656	(0.21)
2004 (4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Total operating revenues, plus interest income and operating grants.

(2) Total operating expenses exclusive of depreciation.

(3) Including fiscal charges.

(4) The 1964 Water & Sewer Bond issue matured 2/1/2004. The 1965 Water & Sewer Bond issue was called for full redemption on 8/1/2004. Both issues have been paid. As of 9/30/2004, there were no Water & Sewer Bonds outstanding.

CITY OF NORTH MIAMI, FLORIDA

TABLE 13

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	(2) Per Capita Income	(3) Median Age	(4) Unemployment Rate Percentage	CITY POPULATION BY AGE GROUP - 2000 (5)	
					Years	
					14 and under	14,046
					15-24	9,516
					25-34	9,438
1996	50,757	\$ 13,297	N/A	8.0	35-44	9,609
					45-54	7,490
1997	50,393	13,297	N/A	7.7	55-64	4,271
					65 and over	5,510
1998	50,258	13,297	N/A	6.9	Total	59,880
1999	50,393	13,297	N/A	6.2	EMPLOYED PERSONS BY INDUSTRY - 2000 (6)	
2000	59,880	14,581	N/A	5.9	Industry	
					Contract construction	1,165
2001	59,880	14,581	32	6.8	Manufacturing and extraction	1,425
					Transportation and utilities	1,639
2002	59,996	14,581	N/A	7.9	Retail trade	3,002
					Wholesale trade	859
2003	60,069	14,581	N/A	7.8	Educational services	4,909
					Other professional and related services	6,453
2004	60,101	14,581	N/A	6.6	Other services	1,504
					Finance, insurance and real estate	1,801
2005	60,312	14,581	N/A	4.8	Public administration	802
					Total workers, 16 years old & over	23,559

(1) University of Florida, Bureau of Economic & Business Research (Except in 2000 - U.S. Census Bureau, Census 2000).

(2) Data for 1996-1999 and 2000-2005 based on U.S. Census of Population 1990 and 2000 respectively.

(3) U.S. Census Bureau, Census 2000.

(4) Florida Department of Labor and Employment Security, Bureau of Labor Market Information, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

(5) U.S. Census Bureau, Census 2000.

(6) U.S. Census of Population 2000

CITY OF NORTH MIAMI, FLORIDA

TABLE 14

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Permits Issued</u>	<u>New Construction Value (1)</u>		<u>Total</u>	<u>Bank Deposits (2)(3) (000)'s</u>	<u>Real Property Values (4)</u>	
		<u>Commercial</u>	<u>Residential</u>			<u>Commercial</u>	<u>Residential</u>
1996	834	\$ 4,516,415	\$ 3,196,422	\$ 7,712,837	\$ 34,662,307	\$ 236,406,886	\$ 828,488,997
1997	797	7,405,756	3,263,310	10,669,066	34,080,865	238,392,097	832,649,347
1998	767	5,571,813	3,557,590	9,129,403	36,229,658	240,603,748	856,926,470
1999	838	3,273,128	2,951,775	6,224,903	39,633,149	249,523,948	883,921,889
2000	804	6,210,772	3,110,675	9,321,447	40,542,573	251,112,285	901,267,904
2001	824	4,986,919	3,233,587	8,220,506	45,063,851	276,101,935	912,960,961
2002	876	2,435,175	8,018,376	10,453,551	51,297,297	288,793,163	977,333,906
2003	766	5,341,832	6,851,373	12,193,205	56,263,926	303,538,226	1,072,999,985
2004	786	18,865,165	5,644,411	24,509,576	62,368,292	365,227,721	1,209,341,442
2005	945	10,332,705	8,049,968	18,382,673	70,221,796	396,509,918	1,413,267,340

(1) Source: City of North Miami's internal data. Certain building permits have been excluded for not being "new construction" types.

(2) Florida Bankers' Association. The information presented is for Miami-Dade County as a whole which includes the City of North Miami.

(3) Deposits for years 1996-1999 have been restated to include all FDIC insured banks as of June 30th.

(4) Source: Miami-Dade County Property Appraiser. Real property values for 1996-1999 have been restated.

CITY OF NORTH MIAMI, FLORIDA

TABLE 15

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2005

Date of incorporation	1926
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	352
Unclassified	22
Part Time	25
Area in square miles	9.44
City of North Miami's facilities and services:	
Miles of streets	138
Number of street lights	2,680
Culture and recreation:	
Community centers	6
Parks	26
Park acreage	561
Library	1
Swimming pools	2
Tennis courts	28
Museums	1
Outdoor roller rink	1
Water playgrounds	2
Fire protection (provided by Miami-Dade County):	
Number of stations	2
Number of fire personnel and officers	72
Number of calls answered	12,270
Police protection:	
Number of stations	1
Number of police officers and civilian personnel	172
Number of patrol units	69
Number of calls for service	46,087
Number of law violations:	
Physical arrests	2,324
Traffic citations	17,342
Parking citations	2,773
Boating citations	86
Sewerage system:	
Miles of sanitary sewers	153
Number of service connections	12,461
Miles of storm sewers	28.2
Water treatment plants (the City utilizes, Miami-Dade County Plant):	
Daily average treatment in gallons	8,500,000
Water system:	
Miles of water mains	304.0
Number of service connections	20,162
Number of fire hydrants	890
Daily average consumption in gallons	10,545,000
Maximum daily capacity of plant in gallons	9,300,000
Other services:	
Education:	
Number of elementary schools	6
Number of elementary school instructors	390
Number of secondary schools	2
Number of secondary school instructors	175
Number of universities	2

CITY OF NORTH MIAMI, FLORIDA

TABLE 16

FISCAL YEAR BUDGETED AND HISTORIC NON-AD VALOREM FUNDS

FISCAL YEAR ENDED SEPTEMBER 30

<u>Sources of Funds</u>	2006 (Budgeted)	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General government funds (1):						
Franchise fees (5)	\$ 2,744,000	\$ 3,140,507	\$ 2,841,720	\$ 2,706,832	\$ 2,455,206	\$ 2,954,186
Utility taxes	2,401,450	2,428,733	2,458,734	2,521,258	2,428,414	3,923,039
Communication services tax	1,750,000	1,953,438	1,729,145	1,713,857	2,286,283	-
Sales and use taxes	908,407	894,061	882,228	916,555	898,208	804,771
Licenses and permits	1,572,700	1,661,473	1,348,970	1,183,969	925,688	829,921
Intergovernmental revenues (2)	5,626,197	5,927,926	7,178,033	8,784,087	7,764,497	6,482,423
Charges for services (3)	6,218,207	6,029,459	6,002,864	6,027,983	5,139,702	4,811,068
Fines and forfeitures	278,700	452,387	576,905	766,495	700,027	321,897
Other (6)	<u>1,294,807</u>	<u>645,466</u>	<u>1,898,581</u>	<u>1,887,969</u>	<u>543,291</u>	<u>679,781</u>
Total general government non-ad valorem funds	<u>22,794,468</u>	<u>23,133,450</u>	<u>24,917,180</u>	<u>26,509,005</u>	<u>23,141,316</u>	<u>20,807,086</u>
Enterprise funds (4):						
Water and sewer utility	19,862,848	16,590,647	16,446,720	16,211,044	15,957,226	15,584,552
Solid waste services	6,003,750	6,021,664	5,810,394	4,801,765	4,804,527	4,455,651
Stormwater utility	<u>2,144,380</u>	<u>2,020,618</u>	<u>1,837,166</u>	<u>914,741</u>	<u>899,226</u>	<u>890,762</u>
Total enterprise funds						
Non-ad valorem funds	<u>28,010,978</u>	<u>24,632,929</u>	<u>24,094,280</u>	<u>21,927,550</u>	<u>21,660,979</u>	<u>20,930,965</u>
Total non-ad valorem funds	<u>\$ 50,805,446</u>	<u>\$ 47,766,379</u>	<u>\$ 49,011,460</u>	<u>\$ 48,436,555</u>	<u>\$ 44,802,295</u>	<u>\$ 41,738,051</u>

(1) Includes general fund, special revenue funds and debt service funds; excludes capital project funds.

(2) Prior to 2005, intergovernmental revenue does not include grants to be paid by Miami-Dade County and certain other revenue restricted for specific use and not available to fund debt service. In 2005, all intergovernmental revenue restricted for specific use and not available to fund debt service has been excluded from this category.

(3) Includes interfund services provided and used.

(4) Only operating revenues are shown.

(5) Fiscal year 2002 revenue for franchise fees has been restated to reclassify communication services tax revenue to a separate category.

(6) In 2005, excludes revenues legally restricted for specific use and not available to fund debt service.

CITY OF NORTH MIAMI, FLORIDA

TABLE 17

DEBT SERVICE REQUIREMENTS AND COVERAGE OUTSTANDING AND PROPOSED PAYABLE FROM NON-AD VALOREM FUNDS

Fiscal	Outstanding		<u>Pension Obligation Bonds (3)</u>			Total	Non-Ad	Coverage
<u>Year</u>	<u>Debt</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Debt Service</u>	<u>Valorem</u>	<u>Ratio</u>
	<u>Service (1)</u>						<u>Funds (2)</u>	<u>Percentage</u>
2006	\$ 1,309,844	\$ 175,000	\$ 1,017,454	\$ 1,192,454	\$ 2,502,298	\$ 50,805,446		20.30
2007	440,138	190,000	1,004,697	1,194,697	1,634,835	50,805,446		31.08
2008	435,800	205,000	990,978	1,195,978	1,631,778	50,805,446		31.14
2009	435,575	225,000	975,846	1,200,846	1,636,421	50,805,446		31.05
2010	439,200	240,000	959,559	1,199,559	1,638,759	50,805,446		31.00
2011	437,200	255,000	942,165	1,197,165	1,634,365	50,805,446		31.09
2012	434,700	275,000	923,712	1,198,712	1,633,412	50,805,446		31.10
2013	436,575	300,000	903,504	1,203,504	1,640,079	50,805,446		30.98
2014	437,344	320,000	881,774	1,201,774	1,639,118	50,805,446		31.00
2015	436,987	345,000	858,492	1,203,492	1,640,479	50,805,446		30.97
2016	435,844	370,000	833,517	1,203,517	1,639,361	50,805,446		30.99
2017	433,912	395,000	806,545	1,201,545	1,635,457	50,805,446		31.06
2018	436,063	425,000	777,852	1,202,852	1,638,915	50,805,446		31.00
2019	432,294	455,000	746,988	1,201,988	1,634,282	50,805,446		31.09
2020	433,569	490,000	713,973	1,203,973	1,637,542	50,805,446		31.03
2021	434,806	525,000	678,275	1,203,275	1,638,081	50,805,446		31.02
2022	435,094	565,000	640,123	1,205,123	1,640,217	50,805,446		30.97
2023	-	605,000	599,090	1,204,090	1,204,090	50,805,446		42.19
2024	-	655,000	555,084	1,210,084	1,210,084	50,805,446		41.99
2025	-	700,000	507,458	1,207,458	1,207,458	50,805,446		42.08
2026	-	755,000	456,542	1,211,542	1,211,542	50,805,446		41.93
2027	-	810,000	401,682	1,211,682	1,211,682	50,805,446		41.93
2028	-	865,000	342,938	1,207,938	1,207,938	50,805,446		42.06
2029	-	930,000	279,998	1,209,998	1,209,998	50,805,446		41.99
2030	-	1,000,000	212,394	1,212,394	1,212,394	50,805,446		41.91
2031	-	1,075,000	139,692	1,214,692	1,214,692	50,805,446		41.83
2032	-	1,155,000	61,560	1,216,560	1,216,560	50,805,446		41.76
	<u>\$ 8,284,945</u>	<u>\$ 14,305,000</u>	<u>\$ 18,211,892</u>	<u>\$ 32,516,892</u>	<u>\$ 40,801,837</u>			

(1) This assumes that total debt service on these bonds is paid from Non-Ad Valorem Funds (See Table 18).

(2) This reflects the budgeted funds available for the fiscal year ending September 30, 2005 from General Government Non-Ad Valorem Funds and Enterprise Funds (see Table 16).

(3) In October 2002, \$14,735,000 in Taxable Special Obligation Refunding Bonds-Series 2002 (Pension) were issued to current refund \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension) 1997.

CITY OF NORTH MIAMI, FLORIDA

TABLE 18

DEBT SERVICE PAYABLE FROM PORTIONS OF THE NON-AD VALOREM FUNDS

<u>Year</u>	\$9.5 Million Promissory Note (1)	FMLC Series 2001A Stormwater Utility Revenue Bonds (2)	<u>Total</u>
2006	\$ 870,707	\$ 439,137	\$ 1,309,844
2007	-	440,138	440,138
2008	-	435,800	435,800
2009	-	435,575	435,575
2010	-	439,200	439,200
2011-2022	-	5,224,388	5,224,388
	<u>\$ 870,707</u>	<u>\$ 7,414,238</u>	<u>\$ 8,284,945</u>

(1) In fiscal year 2000, the City issued a promissory note in the principal amount of not to exceed \$9.5 million to finance the cost of environmental remediation at and closure of the City's Munisport site. As of September 30, 2005 approximately \$871,000 was outstanding on this loan.

(2) In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000. The purpose of the loan is to finance capital improvements to the City's stormwater system. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC Revenue Bonds, Series 2001A).

Source: City of North Miami, Florida Finance Department.

City of North Miami

LAYING THE FOUNDATION OF OUR FUTURE



Foundation of the David L. Lawrence, Jr. K-8 Center, the first school to be built in the City of North Miami in 51 years. The school is named after the former publisher of the Miami Herald, who is very active in early childhood education initiatives. The school is located on 15000 Bay Vista Boulevard, at the entrance to FIU - Biscayne Bay Campus.

The North Miami Public Library hosted Dr. Rudolph "Rudy" Crew, Superintendent of Miami-Dade Public Schools, at a special rendition of the library's weekly children's storytime program. Dr. Crew's heavy emphasis on reading has supported many of the library's children's programs that are offered free of charge to our community.



North Miami's internationally acclaimed art museum, MOCA, shapes the city's future through stellar exhibitions and community art programs & events. The museum paved the way for the creation of an arts district downtown. Teens are shown participating in the popular annual MOCA Teen Day.

Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2005 which collectively comprise of the City's basic financial statements, and have issued our report thereon dated May 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of North Miami's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Honorable Mayor, City Council and City Manager
City of North Miami, Florida
Page Two

We noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.

This report is intended solely for the information and use of the Mayor, City Council, management, and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
May 8, 2006

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North Miami, Florida (the City) as of and for the fiscal year ended September 30, 2005 which collectively comprise of the City's basic financial statements, and have issued our report thereon dated May 8, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 8, 2006, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City of North Miami for the fiscal year ended September 30, 2005, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(h):

1. Significant findings and recommendations made in the preceding financial audit report have been implemented except as reported in the summary schedule of prior audit findings.
2. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the City's present financial management, accounting procedures and internal accounting controls are accompanying this report in the schedule of findings and questioned costs.
4. Except as reported in the accompanying schedule of findings and questioned costs, during the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:

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- a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
- The City was created by Chapter 29318, Laws of Florida 1953. The Museum of Contemporary Art, Inc., the City's component unit, was created by the City of North Miami, Ordinance 768, adopted October 14, 1980 and was incorporated in the State of Florida on August 18, 1981.
- a. The City, during fiscal year 2005, did not meet any of the conditions described in Florida Statutes 218.503(1)(e).
 - b. The annual financial report for the fiscal year ended September 30, 2005 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2005.
 - c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(7). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, City Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
May 8, 2006

Report of Independent Certified Public Accountants on Compliance and Internal Control over
Compliance Applicable to Each Major Federal Awards **Program** and State Financial Assistance **Project**

Honorable Mayor, City Council and City Manager
City of North Miami, Florida

Compliance

We have audited the compliance of the City of North Miami, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State projects compliance supplement, that are applicable to each of its major federal awards programs and its state financial assistance projects for the fiscal year ended September 30, 2005. The City's major federal awards programs and its state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 05-3 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding earmarking that is applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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Honorable Mayor, City Council and City Manager
City of North Miami, Florida
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In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2005. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-4, 05-5 and 05-6.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal programs or state financial assistance projects programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Mayor, City Council, management, and specific legislative or regulatory bodies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
May 8, 2006

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Community Development Block Grant	14.218	B-03-MC-12-0039	\$ 760,993
Home Investment Partnership	14.239	M-03-MC-12-0231	<u>4,813</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>765,806</u>
<i>U.S. Department of Justice</i>			
Community Oriented Policing Services	16.710	2004SHWX0003	47,382
Community Oriented Policing Services	16.710	2002UMX0339	154,614
Local Law Enforcement Block Grant	16.592	04LBBX0336	61,460
Local Law Enforcement Block Grant	16.592	03LBBX2102	93,215
Bulletproof Vest Partnership Grant-03	16.607	N/A	6,273
Federal Equitable Sharing Program	N/A	N/A	<u>745</u>
Subtotal Direct Programs			363,689
Pass-Through Program from:			
State of Florida Office of the Attorney General - Victim's Intervention Program Grant	16.575	V4109	38,095
State of Florida Department of Community Affairs - Miami-Dade County Byrne Program Grant	16.579	N/A	19,201
State of Florida Department of Community Affairs - Urban Areas Security Initiative	16.007	04DS-1S-11-23-02-199	<u>108,225</u>
<i>Total U.S. Department of Justice</i>			<u>529,210</u>
<i>U.S. Department of Transportation</i>			
Pass-Through Program from:			
State of Florida Department of Transportation North Miami L.E.A.D. Program	20.600	SC-05-13-10	<u>57,989</u>
<i>U.S. Department of Homeland Security</i>			
Federal Emergency Management Agency			
Pass-Through Program from:			
State of Florida Department of Community Affairs - FEMA 1345 Stormwater Drainage Project	97.039	01-RM-L5-11-23-02-032	326,297
FEMA Hurricane Relief - Katrina	97.036	06-KF-B&-11-23-02-599	544,659
FEMA Hurricane Relief - Rita	97.036	06-RT-&W-11-23-02-538	91,405
FEMA Hurricane Relief - Frances	97.036	05-PA-G%-11-23-02-632	<u>(1,348)</u>
<i>Total U.S. Department of Homeland Security</i>			<u>961,013</u>
<i>National Endowment for Humanities Institute of Museum of Library Services</i>			
Pass-Through Program from:			
Florida Department of State Summer Reading Partnership Grant	45.310	04-LSTA-D-06-0	<u>4,905</u>
<i>U.S. Department of the Interior</i>			
Pass-Through Program from:			
State of Florida Department of Environmental Protection Enchanted Forest Hiking Trail and Facilities Renovation	15.916	LW490	<u>15,188</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,334,111</u>

(Continued)

See notes to the schedule of expenditures of federal awards and state financial assistance.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<i>Florida Department of Environmental Regulation</i>			
Pass-Through Program from Keep Florida Beautiful:			
Keep North Miami Beautiful	N/A	N/A	\$ <u>7,390</u>
<i>State of Florida Department of State</i>			
State Aid to Libraries Grant	45.030	N/A	27,988
Library Expansion and Renovation Grant	45.020	05-PLC-33	<u>50,788</u>
<i>Total State of Florida Department of State</i>			<u>78,776</u>
<i>State of Florida Department of Environmental Protection</i>			
Gravity Sewer System Improvement Grant	37.039	LP0213	<u>156,171</u>
<i>State of Florida Department of Transportation</i>			
Transit Circulator System Implementation	55.022	AN542	<u>258,560</u>
<i>State of Florida Housing Finance Agency</i>			
State Housing Initiatives Partnership (SHIP)	52.901	03-04	<u>3,154</u>
<i>Total Expenditures of State Financial Assistance</i>			<u>\$ 504,051</u>

N/A - Not available.

See notes to the schedule of expenditures of federal awards and state financial assistance.

CITY OF NORTH MIAMI, FLORIDA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of North Miami and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of North Miami provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant - Entitlement Grants	14.218	<u>\$ 187,314</u>

CITY OF NORTH MIAMI, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2004 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- Fraud (see Item 04-4)

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- Financial condition (see Item 04-1)
- Physical inventory of fixed assets (see Item 04-2)
- Computer system (see Item 04-3)

Federal Awards Findings and Questioned Costs

There were no federal award findings and questioned costs reported in fiscal year ended September 30, 2004 schedule of findings and questioned costs.

State Financial Assistance and Questioned Costs

The City was not subject to the Florida Single Audit Act for the fiscal year ended September 30, 2004.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Reportable condition(s) identified not considered to be material weakness?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards Programs and State Financial Assistance Projects

Internal control over major programs:

Material weakness(es) identified?

___ yes X no

Reportable condition(s) identified not considered to be material weakness?

X yes ___ none reported

Type of auditor's report issued on compliance for major programs:

Qualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) and Chapter 10.550, Rules of the Auditor General?

X yes ___ no

Identification of major programs:

Federal Program

Federal CFDA No.

Community Development Block Grant

14.218

Federal Emergency Management Agency Grant

97.036

State Projects

State CSFA No.

Gravity Sewer System Improvement Grant

37.039

Transit Circulator System Implementation Grant

55.022

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$300,000
State	<u>\$151,215</u>

Auditee qualified as low risk auditee for federal awards programs?

___ yes X no

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Other Matters

05-1 Fraud

We noted during our inquiries of management that an employee of the parks and recreation department was fraudulently completing timesheets and receiving payroll checks for other employees who did not work during those periods of time. The employee cashed these checks at a local bank. There was a lack of adequate internal controls over the monitoring and supervision of certain activities and personnel of the parks and recreation department and as such, there was a loss of City resources. The City is required to have adequate controls and safeguards to protect its assets from loss or misuse. This comment was also reported in the prior year.

Recommendation

We recommend that the City strengthen their internal controls over the activities and personnel of the parks and recreation department as well as other departments that are not at centralized locations. There needs to be more supervision and review of timesheets to ensure that individuals receiving payroll checks actually worked during those periods of time and that amounts received are for the correct hours worked.

View of Responsible Officials and Planned Corrective Actions

Personnel and Finance have implemented procedures regarding how part-time and temporary contract workers are inactivated or reactivated for continued employment. Included in those procedures is the requirement that an active status will end at a time certain. If an employee does not submit a timesheet for a defined period of time, the payroll system will automatically inactivate the employee, which prevents the payroll clerk from processing a check. If an employee is to remain active it requires "formal" reactivation of their status through a memo from the department director. Other procedures implemented include the distribution of payroll checks and W-2 forms. The Finance Department now mails W-2 forms directly to part-time or temporary contract workers instead of forwarding them to the departments for distribution. In addition, all part-time or temporary contract workers must pick up their checks in person at their respective departments and sign for them.

At the department level, each department is responsible for monitoring their monthly expenses, including personnel costs. Departmental budgetary reports are distributed to each department monthly to assist in monitoring expenditures.

05-2 Water and Sewer Operations

The City's water and sewer utility system continues to incur operating losses, including depreciation, of approximately \$1,500,000, \$1,800,000 and \$1,500,000 in 2005, 2004 and 2003, respectively. The water and sewer utility system should be recovering the costs of operations through user charges.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

Since the intent of the water and sewer utility system is to recover the costs of operations, including depreciation, through user charges, the City needs to consider ways to increase revenues to sufficient levels or to decrease expenses so that the utility operation can be self-supporting. We recommend that the City evaluate the rates charged to its customers and increase those rates to sufficient levels so to cover its costs.

View of Responsible Officials and Planned Corrective Actions

The City has taken positive action to address the continued operating losses in the Water and Sewer Utility Fund. During the budget hearings for the 2005-06 budget year, the City approved a significant rate increase for the Water and Sewer Utility. Additionally, pursuant to recommendations that all utility rates be reviewed and adjusted for inflation annually, to prevent “catch-up” rate increases, a resolution was passed for the implementation of a Consumer Price Index (“CPI”) adjustment that will allow the City Manager to apply this inflationary tool to each of the enterprise funds as recommended by staff. These initiatives are intended to increase revenues to sufficient levels so that the utility operations can be self-supporting.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Noncompliance

05-3 Earmarking

CFDA 14.218 Community Development Block Grant U.S. Department of Housing and Urban Development

Criteria

The U.S. Office of Management and Budget Circular A-133 Compliance Supplement for the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) requires the City to spend at least 70 percent of the funds appropriated by the end of the grant term. The grant term is for a period of up to three years from the ending date of the grant program year.

Condition

The City has been awarded CDBG appropriations (amount available to spend) of approximately \$5.2 million dating back to the 2002 program year. The City has spent approximately \$1.9 million since that date. The City has not spent any of the appropriations from its July 31, 2004 and July 31, 2005 program year entitlements and has not spent approximately \$790,000 from its July 31, 2003 entitlement. This finding has been reported in multiple prior years.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Cause

It appears that the City is not expending funds in a timely manner.

Effect

If the City does not comply with the spending requirements, they could be in jeopardy of losing their CDBG entitlement.

Recommendation

We recommend that the City monitors, on a regular basis, the CDBG grant expenditures to ensure that the funds are spent timely and pursuant to the grant agreement. The City should only list projects on the CDBG action plan that can be completed timely. We recommend that the City follow up on projects that have not started or that are not being completed in a timely manner as outlined in the action plan. The City should also consider implementing new programs and approve new projects in order to expend appropriated funds on a timely basis.

View of Responsible Officials and Planned Corrective Actions

One of the primary activities funded through the City's CDBG Consolidated Action Plan has been homeowner assistance and housing rehabilitation. Over the past year, the City's housing rehabilitation program has undergone a complete restructuring in order to insure the proper operation of this program before any new funds are committed. There have been staffing changes in the department, and new operating policies and procedures established. Included in the changes are a new Housing Administrator, a full time inspector, and increased training and restructuring of responsibilities for staff. Additionally, there is a new Department Director, whose goal is to ensure the success of this program by providing assistance to applicants in a timely manner. The City has adopted new program guidelines, and aggressive housing strategies, adding new programs such as rental assistance, a painting, shutter, and roofing program, as well as increasing the thresholds for the maximum amount of housing assistance allowable for each eligible household. The City expects to comply with HUD's expenditure ratio on or before July 31, 2006.

05-4 Subrecipient Agreements

**CFDA 14.218 Community Development Block Grant
U.S. Department of Housing and Urban Development**

Criteria

Pursuant to the requirements of 24 CFR 570.503, the City is required to execute a written agreement with any subrecipient prior to disbursement of CDBG funds.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Condition

An on-site performance evaluation was made by HUD on March 29, 2005 through April 22, 2005 of the City's CDBG program, it was determined that the City was disbursing CDBG funds (salaries) to its police department on behalf of a Crime Prevention Officer. In addition, a code enforcement officer position is being reimbursed without the proper back up documentation.

Cause

It appears that staff made their best efforts to fulfill program requirements, but had not been aware of what specifically is required by regulations.

Effect

This could result in possible reimbursement of ineligible activities and therefore an inefficient use of grant funds. The amount allocated in FY 2004-2005 to the Code Enforcement Program was \$30,702 and \$45,000 to the Crime Watch Prevention Program.

Recommendation

The City must enter into an agreement with the police department and any other departments that are providing services to the City and being reimbursed with CDBG funds.

View of Responsible Officials and Planned Corrective Actions

The City has executed agreements with both the North Miami Police Department and the Public Works Department, Code Enforcement Division, that were providing services to the City and being reimbursed with CDBG funds. In FY05-06, only the Minimum Housing Code Enforcement Officer in CP&D and the Crime Prevention Officer in the Police Department are being funded through CDBG. In FY06-07, none of these positions will be funded through CDBG.

05-5 Subrecipient Monitoring

CFDA 14.218 Community Development Block Grant U.S. Department of Housing and Urban Development

Criteria

Pursuant to the requirements of 24 CFR 85.26, the City is required to obtain audits of its subrecipients. In accordance with the Single Audit Amendments of 1996 and the revised OMB Circular A-133, the City must also maintain adequate documentation to support annual audit reports or other monitoring procedures.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Condition

An on-site performance evaluation was made by HUD on March 29, 2005 through April 22, 2005 of the City's CDBG program, it was determined that in the majority of the subrecipient files reviewed, there was no evidence of audits being conducted or other monitoring procedures. In addition, HUD indicated that the City did not follow up on any audit findings initially reported in the monitoring review conducted on August 20, 2003. This finding was reported in a prior year.

Cause

It appears that staff made their best efforts to fulfill program requirements, but had not yet fully implemented the procedures.

Effect

Noncompliance with these requirements could result in possible sanctions imposed upon the City.

Recommendation

The City must implement and put in place a system that ensures all subrecipients submit the single audit report or other monitoring evidence as required in the City's agreement. The City also has to follow-up on audit findings, specifically in regards to eligibility requirements and takes appropriate action within 180 days in instances of noncompliance.

View of Responsible Officials and Planned Corrective Actions

In August 2005, the City hired an outside independent auditing firm to provide audits for the subrecipients based on the fact that the average award of \$10,000 was insufficient for the grantee's to pay for their own audits. In addition, the CDBG/Housing Compliance Officer provides internal monitoring of CDBG subrecipient activities. The City has implemented procedures to ensure that all subrecipient findings are followed up and appropriate steps taken after review of an audit report that indicates noncompliance with Federal laws and regulations.

05-6 Period of Availability

**CFDA 16.007 Urban Areas Security Initiative
U.S. Department of Justice**

Criteria

The City is required to expend the funds from this grant within the time period required by the granting agency. The expenses need to be for actual expenditures incurred prior to the deadline.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Condition

We noted during our inquiries of management and review of supporting documentation that a check in the amount of \$22,875 issued June 21, 2005 for security rolling grates at the Police Department was still being held, at the request of the Police Department, pending completion of the work. This item was submitted to the granting agency for reimbursement even though no payment has been made to the vendor.

Questioned Costs

There was a check in the amount of \$22,875 that was submitted for reimbursement where the work had not been completed and the vendor had not been paid.

Cause

The police department staff is issuing checks, signing off on work, and submitting expenditures to the granting agency for work that is not yet completed instead of resolving the issue with the granting agencies and requesting extensions.

Effect

This could result in reimbursement of funds that have not been expended and therefore are not eligible under the grant agreement. This result could put the City in jeopardy of losing funds provided by the Urban Areas Security Initiative.

Recommendation

When checks are issued they should not be held. Departments should not sign off on work that is not yet completed, regardless of existing grant deadlines. Payments should only be processed after the work has been satisfactorily completed.

We recommend that after proper payment authorization, all checks are mailed directly to the proper parties and not returned to individual departments or held at the department's request. In the future, if there is an issue with grant expenditure, the issue should be resolved with the granting agency by allowing for grant extensions under the circumstances.

View of Responsible Officials and Planned Corrective Actions

Departments have been reminded not to sign off on work that is not yet completed, regardless of existing grant deadlines. In the future, to ensure compliance with grant requirements, the departments will address issues with the Grants Administrator and applicable granting agencies to request an extension. Additionally, the Finance Department will address the practice of returning checks to departments, at their request, and mail all payments directly to vendors.

CITY OF NORTH MIAMI, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Reportable Condition

05-7 Internal Controls over Compliance

Criteria

The City should have in place an adequate system of internal control over compliance that monitors and ensures compliance with all grant agreements.

Condition

The City's internal controls over compliance are not functioning as intended as evidenced by the reporting of items 05-3 to 05-6. An adequate system of internal control would ensure that individuals with grant compliance responsibilities monitor the activities and requirements of each grant.

Cause

It appears that city personnel have made their best efforts to ensure compliance with all grant agreements, but have not fully implemented procedures to ensure compliance.

Effect

This creates a lack of sufficient controls over grant administration and the City risks losing certain grant funding.

Recommendation

The City needs to have in place an adequate system of internal control over compliance that monitors and ensures compliance.

View of Responsible Officials and Planned Corrective Actions

It appears that this comment resulted primarily from the findings noted in items 05-03 through 05-05. Although there have been minor instances of noncompliance and the continuing issue of expending CDBG funds on a timely basis, management does not feel that this indicates a lack of internal control but instead inefficiencies in the programs/processes. Additionally, it is the opinion of management that the changes in staff and the new programs and procedures that have been implemented will prevent any future instances of noncompliance.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.